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# **The Scope and Limitations of Human Resource Management: A Case Study of the Bank of Thailand**

**By**

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A thesis submitted in partial fulfilment of the requirements for the degree  
of Doctor of Philosophy in Sociology

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## ABSTRACT

This study investigates and analyses the scope and limitations of human resource management (HRM) in a distinctive organisational and social context using a case-study of management policies and employee responses at the Bank of Thailand (BoT) at the turn of the century. The theoretical framework for the study is developed through a discussion of influential academic approaches to HRM and some of the main critical commentaries. The main objective of the thesis is to analyse the scope and limitations of the application and implementation of HRM in such a setting. The research uses a qualitative case-study method of research, based on interviews, documentary analysis and participant observation, linked to and informed by actual work experience. It also seeks to place the experience of organisational changes in the BoT in the context of wider developments in work and employment relations in Thailand. There are three main arguments in this study. Firstly, a 'generalised' HRM approach does not set out to accommodate the specificity of organisational activities or the differences between different groups within the organisation. Secondly, an 'idealised' HRM programme fails to address the importance of power relations and conflict in organisational change. Finally, human resource specialists remain relatively marginalised and are unable to develop and deploy their expertise because the HRM programme does not recognise the importance of this problem. These arguments are developed through an analysis of (i) the pre-existing pattern of employment and organisational arrangements at the BoT, which involved both paternalism and the concentration of management authority; (ii) the origins and rationale of the HRM programme at the Bank, with particular reference to the roles of senior management and outside consultants; and (iii) a detailed discussion of the responses of Bank employees, both managers and other staff, that addresses the character and sources of their mixed responses, involving acceptance and sometimes enthusiasm but also uncertainty and criticism.

## LIST OF ABBREVIATIONS

AEFTFC	= Analysis and Evaluation of the Facts behind Thailand's Financial Crisis, the report
BoT	= The Bank of Thailand
EIU	= The Economist Intelligence Unit
FWAT	= Free Workmen's Association of Thailand
GDP	= Gross Domestic Product
HR	= Human Resource
HRM	= Human Resource Management
HRRP	= Human Resource Reengineering Project
HRSDP	= Human Resource Strategy Development Project
ILO	= International Labour Office
IPM	= Institute of Personnel Management
MNCs	= Multinational Corporations
MPO	= Modernisation Programme Office
NPW	= Note Printing Work
OCSC	= The Office of the Civil Service Commission
PES	= Public Employment Service
SCT	= Sony Semiconductor (Thailand) Company Limited
SET	= The Stock Exchange of Thailand
TCB	= Thai Carbon Black Public Company Limited
TPI	= Thailand Productivity Institute
TUL	= Thai Union of Labour



## Chapter 1

### INTRODUCTION

This dissertation provides a case study analysis of the application of human resource management (HRM) in a distinctive organisational setting, that of a central bank in a developing country (Thailand). The main argument of the study is that the implementation of HRM policies into practices proved attractive to the top management of the Bank of Thailand (BoT), but there were major obstacles to effective implementation because of the distinctive socio-political characteristics and institutional features of the Bank as illustrated by the responses and attitudes of the Bank's workforce. Since 1998 the BoT has undergone extensive changes in its operations, especially in its approach to employment relations within the Bank. In particular, the HRM programme was introduced in the Bank, but this programme was not seen as effective. The thesis considers these features in the context of the distinctive history of employment relations in the Bank and the wider cultural and socio-political conditions of the enterprise. It seeks to evaluate the relevance of this particular case-study experience for wider discussion of the scope and limitations of HRM policies.

The purpose of this first chapter is to lay the foundations for the subsequent examination, in the chapters which follow, of the BoT's experience of seeking to design and implement appropriate HRM policies and practices. The central notion of HRM, as will be discussed in Chapter 2, emphasises the integration of human resource policies and practices with the organisation's business directions. This approach, proponents of HRM argue, should prove to be a more effective approach to

managing the firm's employment relations than a traditional form. However, the present study develops a critical assessment of the ability of HRM to explain and transform the dynamics of employment relations within the organisation. In particular, this study suggests, the general recommendations of HRM fail to address the distinctive features of the organisation and the reality of organisational pluralism, such as the differences of priorities and interests among employees, all of which influence the implementation of HRM policies and the response of employees. In the case of the BoT, the organisation's employment relations, rooted in socio-economic development of Thailand, had remained fairly traditional and static since 1942, and therefore the attempt to implement new (predominantly Western) HRM policies with the aim of changing and improving employment relations inevitably encountered a wide range of difficulties.

This Chapter is organised as follows. The first section outlines the background to the present study by providing a brief introduction to HRM, Thailand and its central bank. The purpose of the study is outlined in the second section. The significance of the study's focus on changing employment relations using HRM in the BoT is discussed in the third section. The fourth section provides an introduction to the work structure and the various operations of the BoT. Finally, a conclusion is presented in the last section.

### *1.1 Introduction to HRM, Thailand and its Central Bank*

HRM, particularly in the context of changes in employment relations, and employees' response to such change, is of considerable current interest throughout the world due to the impact of globalisation and regionalisation on the creation, transmission and

sharing of information and knowledge across national borders (for a comprehensive review of the recent literature, see for example Hope-Hailey et al., 1997 and Storey, 2001). HRM, as an influential managerial concept, has long been debated internationally: from the focus on whether the American origins of the term had any relevance to the UK's more unionised context (for example Legge, 1989 and 1995) to concern about the implications of historical, economic, institutional and legislative differences between European countries (for example Thurley and Wirdenius, 1991). In developing countries, due to increased exposure to international trade, foreign investment and international finance, there has been an intense pressure on organisations to improve and upgrade themselves to international standards, for example from foreign investors. Such standards include not only technological and technical aspects, but also management policies and practices, especially in terms of the management of human resources. It is for this reason that organisations in developing countries have come to appreciate the importance of managing their human resources effectively.

Thailand, which is the focus of attention in the present study, has long been trying to develop its position on the international stage, with a concerted attempt to transform itself from an agricultural to an industrialised country. The country has moved from an import-substitution policy to a development strategy more closely based on export-led development. This resulted in the country experiencing an impressively high rate of real GDP growth for almost 30 years from 1960s to early 1990s, and exports had been the main engine of such economic growth (The Economist Intelligence Unit [EIU], 1997). The EIU (1997) argues that before 1997 the country's main economic goal was to prosper by following the strategy of strong export expansion, a goal that



cannot be achieved without economic and monetary stability. Hence, the role of the BoT, the country's central bank, is of great importance. However, the Asian financial crisis, which started in Thailand in mid-1997, has threatened to undermine the country's economic and social conditions.

According to the official report on the Analysis and Evaluation of the Facts behind Thailand's Financial Crisis (AEFTFC) (1999), which was commissioned by the Thai Government to investigate the causes of the 1997 financial crisis, the BoT bears some responsibility for the crisis. In particular, the BoT's failure to maximise the benefits of its human resources was identified as an especially important internal factor that contributed to the ineffectiveness of the BoT's operations (a detailed analysis of the official report will be provided in Chapter 5). The same report also argued that, although the BoT employed a number of well-qualified academics and practitioners in economics and finance, these 'experts' had major problems working together, and this led to disharmony within the organisation. Although the BoT is not a commercial, or profit-seeking, organisation, it was suggested as a result of the series of investigations by the AEFTFC (1999), which interviewed various BoT officers, that certain aspects of the financial crisis could have been prevented if only the BoT's executives had worked more effectively with each other. These problems contributed to the BoT's failure to uphold the economic and financial stability of the country, which in turn threatened the well-being of Thai citizens.

After Thailand's financial crisis began in 1997, the BoT appointed its new Governor (the nineteenth), M. R. Chatu Mongkol Sonakul, on 7 May 1998. He was determined to introduce a number of radical changes in the BoT's operations, including the reform

of employment relations toward the now widely-popular HRM programme. Therefore, under the new governor, many international 'best practices' of HRM were introduced with the support of several external consultant companies. There was a particular emphasis on developing new human resource policies in line with the Bank's overall direction and strategy. According to a report produced by one of the consulting companies, hired by the BoT to guide the reform in employment relations, the Bank's employment relations system was out-dated. For example, there was a need to install a new performance management system in the Bank because practices such as systematic performance evaluation, which other leading organisations had used for a long time, had not been fully implemented in the BoT. In particular, the Bank's human resource function (the Human Resource [HR] Department) was seen as incapable of implementing appropriate employment relations for the Bank. In this respect, the reaction of many of the Bank's HR Department's executives to these conclusions was fairly negative. Their response to the report conducted by the consulting company was not favourable. At the same time, employees' confusion and dissatisfaction with the proposed changes were also evident. These observations suggested that further in-depth research into the introduction of HRM policies and practices at the BoT was needed.

There were a number of new practices introduced to the BoT under the policies of new HRM programme. Among examples of the policies were: a new system of performance management, where performance was closely tied with salary increases and career development; a more intensive role for training and development; and the introduction of a 'cultural change' programme. However, these initiatives quickly



encountered uncertainty and confusion among employees, thus making the process of change extremely difficult.

As a result, the following sequences will be considered and discussed in this thesis. First, the pressures for reform of employment relations, due to the impact of the 1997 Asian financial crisis and other internal features of the BoT, will be discussed. Next, the role of the external consultant and the top management's adoption of HRM programme will be considered. Some key features of the proposed new human resource policies will also be discussed. Then, the reactions of managers and employees will be analysed. Finally, a conclusion will be offered.

### *1.2 The Purpose of the Study*

Several strands of commentary on changes involved in HRM programmes in Britain and the United States indicate that such changes are becoming increasingly important but usually face major dilemmas and limitations in practice (for example Legge, 1989 and 1995, and Scott, 1994). It is also crucial to stress here that the present study is primarily concerned with the 'Western' literature on HRM because the BoT, our case study, has been introduced to, and strongly influenced by, Western HRM as advocated by the external consultant. This Western HRM forms an appropriate starting point for the study, but it is also an intention of this study to critically analyse the relevance of such Western HRM in the BoT context.

The problems and limitations characterising the HRM programme have rarely been studied in the case of Thailand. In particular, there have been no studies of HRM in the Thai financial regulatory sector, even though the central bank is recognised as

being of the highest importance to Thailand's economic and social well-being. Thus, the primary purpose of this study is to develop a clear understanding of the ability of HRM to improve employment relations in a large organisation such as the BoT. It is also crucial to note here that, although the BoT is not a profit-seeking company, the Bank has recently aimed to operate more like a commercial organisation. For example, although the BoT does not have 'customers' in the same sense as other commercial companies, the Bank is now trying to view commercial banks in Thailand, which the BoT regulates, as the BoT's 'customers'. In accord with HRM thinking there is also an emphasis on the Bank's various departments as 'internal customers'. Thus the Bank is developing a stronger orientation towards its departments, as well as commercial banks and the public, in terms of the service it provides to them.

The methodology employed in the present research can be categorised into four methods (see a more detailed discussion in Chapter 3). The first method is the development of understanding through 'actual work experience': the experience of the researcher when working as one of the Bank's members of staff for 14 months (December 1999 – February 2001). This method provided a significant 'in-depth' experience for the researcher. During his time as a member of staff, the researcher also employed the second and third methods: participant observation and interviewing. Participant observation was carried out in various circumstances, such as in the Bank's executive meetings. Interviews were conducted both formally, through appointment, and informally, through 'chats' with members of staff. The final method is documentary analysis: the researcher collected various types of written documents from the BoT for analysis. These documents include, for example, the

BoT's internal newsletters. The method of 'actual work experience' proved to be the most fundamental one. This is because the researcher did not just visit the research site from time to time and interview and observe people occasionally, but he was in fact involved directly in the work process of the Bank and with the managers and employees targeted in this research.

Based on the methodology employed in this research, the following issues will be used to guide the investigation and subsequent data analysis:

- After this introduction (Chapter 1), a review of the relevant literature will be provided in Chapter 2. The aim is to provide an analytical framework for the research analysis. The distinctive feature of this research is that it approaches HRM not purely from the point of view of business management, but from a more socio-political and institutional point of view, considering the organisational power relations and institutional features that affect HRM structures and processes.
- Chapter 3 offers a full discussion of the research design process and research methods employed in this research, addressing their strengths and weaknesses, as well as commenting on other issues such as the issue of confidentiality.
- Chapter 4 analyses key features of the development of HRM in Thailand in general, by addressing the role of relevant factors such as the country's social and economic development and the importance of foreign investors to the development of HRM in Thailand.
- The thesis will then consider the BoT's pattern of work, especially in its human resource practices, paying particular attention to how and why that



pattern is changing. This theme will be developed in Chapter 5, where the previous approach to employment relations in the BoT is analysed.

- The rationale of changes proposed in the Bank's employment relations will then be considered in Chapter 6. While the BoT intended to introduce an HRM programme as its new approach toward employment relations, this study argues that the actual implications of HRM in practice remained ambiguous. In part these features arose because there were important aspects of the employment relations at the BoT that HRM did not properly address. This Chapter will also analyse the role of the external consultant in the reform of employment relations in the BoT.
- Chapter 7 will consider the attitudes toward reform displayed by the Bank's managers. The aim is to use the BoT case to illustrate the tensions and limitations of HRM in this particular organisational setting. This Chapter uses the responses of the BoT's managers to workplace restructuring, as well as other types of information collected from the Bank during the research fieldwork in analysing ambiguities, tensions and limitations within and surrounding HRM.
- Chapter 8 is concerned with the perceptions and attitudes of the Bank's employees toward new HRM programme. It was evident that employees felt confused about certain aspects of the new policies and practices. To some extent, employees also tended to be 'afraid' of aspects of these changes. The research will aim to identify the causes of this fear and confusion, and will also discuss some of the alternatives open to BoT management in responding to this situation.

### *1.3 The Significance of the Study*

The present study offers an original contribution to our understanding of changes in the management of employment relations in Thailand's central bank, and to appreciating the factors involved in employees' responses to such changes. The study aims to show that, as will be illustrated by the BoT case, the HRM package cannot be applied anywhere without considering the specific conditions of the workplace, and the socio-political and institutional relations of the organisation. The method of applying a Western analytical framework to the specific context of Thailand's national characteristics also extends our understanding of HRM to a different society and culture. The aim is, therefore, also to determine the potential and limitations of Western debates about HRM to explain the situation in the BoT, and, where necessary, to suggest some amendments of those perceptions. Accordingly, it is hoped that this study will contribute to a more critical assessment and analysis of HRM. Finally, the findings of the study are intended to be of practical value to the BoT and other similar public sector institutions in their efforts to improve their employment relations and the practice of HRM.

### *1.4 About the Bank of Thailand (BoT)*

As a central bank, the BoT performs the following functions:

- Formulates monetary policy to maintain monetary stability and recommends economic policy to the government.
- Provides banking facilities to the government, state enterprises and financial institutions.



- Supervises financial institutions to ensure that they are secure and supportive of economic development.
- Develops and supervises the financial system.
- Promotes priority economic sectors.
- Prints and issues bank notes.
- Manages the country's assets and liabilities.
- Represents Thailand in international organisations and cooperates with other central banks.
- Provides and disseminates economic and financial information both in Thailand and abroad.

(The BoT's Notebook 2001 Edition)

The BoT summarises its own historical development as follows:

‘The Thai National Banking Bureau, set up in 1939 with the status of a department attached to the Ministry of Finance, was the first organisation to assume central banking activities in Thailand. The Bureau started operations on June 24, 1940 with Phraya Songsuraj, then the Comptroller General, as Director. However, its initial operations were limited to some of the central banking functions such as managing the issue of government bonds, taking deposits from and lending to the Government, government agencies and commercial banks and transferring funds between the central region and the other parts of the country. In 1941, the Bureau started operating the exchange control. After the Second World War had spread to

Asia, the Government decided to change the status of the Bureau to that of a central bank. The Bank of Thailand Act was thus promulgated in 1942 decreeing the Bank of Thailand a juristic person responsible for all central banking activities. The Bank of Thailand started operations on December 10, 1942 with His Highness Prince Viwatanachai Chaiyan as the first Governor. According to the Bank of Thailand Act, the Minister of Finance is empowered to oversee the overall affairs of the Bank of Thailand with the general control and direction being entrusted to a Court of Directors which comprises the Governor and Deputy Governors, appointed by His Majesty the King, as Chairman and Vice Chairmen respectively, and at least five other members appointed by the Cabinet.'

(<http://www.bot.or.th/bothomepage/BankAtWork/AboutBOT/Response/History/history-responseE.html>)

The current organisation of the Bank of Thailand is shown in Appendix 1. There are 'line' departments which operate the bank's main operations, such as the Monetary Policy Department and the Financial Markets Operations Department, and other support, or 'staff', departments which operate other supporting operations for the BoT, such as the Human Resource Department and the Strategic Services Department. There are two senior management reporting structures: (1) where Deputy Governors, Assistant Governors and Senior Directors report directly to the Governor; and 2) where Assistant Governors, Senior Directors and Directors report to the Deputy Governors. The BoT encompasses 25 operating departments, including three offices nationwide, with 5,138 employees (at 31 January 2001). Each department comprises different subsections such as Offices, Sections and Teams reporting to the

head of department. In addition, the Departments, Offices, Sections and Teams are each headed by officers of a level appropriate to the task. (See Table 1.1)

**Table 1.1: The BoT's Departments and their Responsibilities (L = line, S = staff)**

Department's Name	Roles and Responsibility
Monetary Policy (L)	<ul style="list-style-type: none"> <li>- Monitors, studies, analyses and conducts research on domestic and international economic conditions.</li> <li>- Prepares macroeconomic forecasts over short-term and medium-term horizons.</li> <li>- Suggests and recommends monetary policies, exchange control policies and evaluates their impacts.</li> <li>- Coordinates, monitors, analyses and recommends policies in cooperation with the International Monetary Fund and other international monetary organisations.</li> <li>- Coordinates with other central banks in the region.</li> </ul>
Financial Markets Operations (L)	<ul style="list-style-type: none"> <li>- Conducts monetary and foreign exchange policies related to both domestic and international money markets.</li> <li>- Manages the international reserves.</li> <li>- Manages domestic and foreign assets of the currency reserve.</li> <li>- Administers foreign currency loans and credit facilities.</li> <li>- Enforces the Exchange Control Act.</li> </ul>
Financial Institutions Policy (L)	<ul style="list-style-type: none"> <li>- Studies, plans and formulates the regulatory policies related to financial institutions on the macro level.</li> <li>- Determines, evaluates and amends regulations and policy measures on supervision.</li> <li>- Studies, plans and formulates regulatory policies on the payment system.</li> </ul>
Supervision (L)	<ul style="list-style-type: none"> <li>- Examines, analyses and supervises the operations of commercial banks, financial companies and credit finance companies on a consolidated basis to ensure that they operate in a safe and sound manner, and that they are carried out in accordance with the laws, policies and measures prescribed by the BoT.</li> <li>- Monitors and ensures that unlicensed or unauthorised commercial banks, finance companies, credit finance companies and money changers do not exist or cease operations.</li> <li>- Investigates and acquires any press release or information that is put forward for examination.</li> <li>- Supervises the operations of specialised financial institutions as assigned by the Ministry of Finance.</li> <li>- Studies, analyses, recommends and develops efficient procedures for examining, analysing and supervising financial institutions.</li> </ul>



Information and Public Relations (S)	<ul style="list-style-type: none"> <li>- Carries out public and international relations.</li> <li>- Provides information and statistics to the public on a regular basis.</li> <li>- Promotes public saving.</li> <li>- Manages and operates the library, the information system, the archives and the BoT museum.</li> <li>- Coordinates and provides investment information to both Thai and foreign investors.</li> <li>- Studies and develops the BoT's good service to the general public.</li> <li>- Acts as the secretariat to the Court of Directors, Top Management Committee, and Audit Committee.</li> </ul>
Strategic Capabilities (S)	<ul style="list-style-type: none"> <li>- Studies, develops and follows up the BoT's strategic plans.</li> <li>- Manages the BoT's budget and evaluates its usage.</li> <li>- Manages and evaluates risk in all areas.</li> <li>- Manages the Management Information System.</li> <li>- Conducts long-term or specific research on strategic topics.</li> </ul>
Data Management (S)	<ul style="list-style-type: none"> <li>- Studies, plans and develops information systems for information derived from outside the Bank.</li> <li>- Collects, compiles and provides information to both internal and external users.</li> </ul>
General Administration (S)	<ul style="list-style-type: none"> <li>- Provides general administrative services.</li> <li>- Carries out all works related to the BoT's buildings, construction and renovation, and engineering works.</li> </ul>
Legal (S)	<ul style="list-style-type: none"> <li>- Oversees all legal matters related to the Bank.</li> </ul>
Litigation (S)	<ul style="list-style-type: none"> <li>- Undertakes all actions related to litigation under laws and legal practices under the BoT's authority.</li> </ul>
Fund Management (L)	<ul style="list-style-type: none"> <li>- Manages the operations of the financial institutions' Rehabilitation and Development Fund.</li> </ul>
Corporate Debt Restructuring (L)	<ul style="list-style-type: none"> <li>- Studies and determines guidelines for corporate debt restructuring;</li> <li>- Coordinates between creditors and debtors.</li> <li>- Coordinates with government agencies and private sectors related to debt restructuring.</li> </ul>
Human Resource (S)	<ul style="list-style-type: none"> <li>- Carries out human resource management, organisation management and staff training.</li> </ul>
Payment Systems (L)	<ul style="list-style-type: none"> <li>- Studies, analyses, oversees and develops the operations of the country's payment system and the Electronic Clearing House.</li> </ul>
Internal Audit (S)	<ul style="list-style-type: none"> <li>- Undertakes internal auditing of the Bank's operations.</li> </ul>

Deposits and Debt Instruments (L)	<ul style="list-style-type: none"> <li>- Provides depository facilities for the Government, state enterprises, commercial banks and other financial institutions;</li> <li>- Carries out the transfer of funds between the central region and other parts of the country.</li> <li>- Manages the issue of government, public organisation and BoT bonds.</li> </ul>
Note Issuance (L)	<ul style="list-style-type: none"> <li>- Oversees the circulation of bank notes and verifies the authenticity of bank notes in circulation.</li> <li>- Maintains the currency reserve and the interest accrued therefrom as well as the special reserves.</li> </ul>
Accounting (S)	<ul style="list-style-type: none"> <li>- Oversees all matters related to the BoT's accounts and relevant receipts and payments.</li> </ul>
Information Technology (S)	<ul style="list-style-type: none"> <li>- Carries out computerisation analysis, planning and development.</li> </ul>
Security (S)	<ul style="list-style-type: none"> <li>- Carries out all matters related to security.</li> </ul>
Note Printing Works (L)	<ul style="list-style-type: none"> <li>- Designs and prints banknotes and other security documents as assigned by the Bank.</li> </ul>
Modernisation Programme Office (S)	<ul style="list-style-type: none"> <li>- Studies, analyses and designs organisation structure and working systems in order to increase efficiency and effectiveness in operations.</li> <li>- Develops staff culture change that will affect working behaviour.</li> <li>- Coordinates and supports all matters related to the reorganisation process in the BoT.</li> </ul>
The Northern Region Office (L)	<ul style="list-style-type: none"> <li>- Performs central banking activities in 17 provinces of Northern Thailand.</li> </ul>
The Northeastern Region Office (L)	<ul style="list-style-type: none"> <li>- Performs central banking activities in 19 provinces of Northeastern Thailand.</li> </ul>
The Southern Region Office (L)	<ul style="list-style-type: none"> <li>- Performs central banking activities in 14 provinces of Southern Thailand.</li> </ul>

Source: <http://www.bot.or.th/bothomepage/BankAtWork/AboutBOT/Response/History/history-responseE.html>

In addition, all provincial/district treasuries in the provinces that are not covered by the head office and the three regional offices also act as provincial representatives of the BoT. There are also two overseas representative offices, in New York and London. They are responsible for gathering and compiling information related to



general economic conditions and technical developments abroad for the benefit of international reserve management and banking development. These overseas offices also act as coordinators with the central banks in the countries where they are located, assess the financial institutions with which the BoT has business operations, and are responsible for coordinating and providing data to foreign investors and debtors and other organisation involved in investment in Thailand.

An examination of the key features of the BoT's operations and structures shows that the BoT has a complex organisational bureaucracy. This is represented by the fact that there are extensive structures of hierarchical control within the organisation. The BoT also has a wide range of specialist tasks and expertise, ranging from those of monetary economists to strategic planners, human resource specialists, and even chemical engineers in the Note Printing Factory. There is also a clear division between line, staff, and regional departments, with a dividing line between the operations of each department.

In particular, the Bank's human resource function is represented by the Human Resource (HR) Department. The Department is divided into five main sections under the Senior Director of the Department, who acts as head of the Department. The five sections are responsible for different aspects of the human resource work of the Bank. They are the sections responsible for employee administration, for the planning and development of the Bank's human resources, for welfare and benefits, for pay and salaries, and for training. The management of employment relations in the Bank is also carried out by 'departmental human resource managers', or line managers acting as the human resource manager in each department. These departmental human

resource managers have a close relationship with the HR Department through various meetings to ensure cooperation between the HR Department and others.

Like other central banks, the relationship between the BoT and Thailand's political regime remains controversial. The BoT is supposed to be independent of the Thai Government's decision-making process. The only connection with the Government is that the Minister of Finance has the authority to appoint or fire a governor. The Bank's Court of Directors, a high-ranking executive committee (consisting of Assistant Governors, Deputy Governors and the Governor), and other various committees in the Bank, have their own authority to control all operations within the Bank. In practice, however, it is clear that politicians have intervened in the operations of the BoT in some cases. For example, according to the investigation in the AEFTFC (1999), there was one case of a governor during the time of the Asian financial crisis whose appointment was not based on his work performance but on his close relationship with politicians. However, it is widely argued that in economic and financial operations a central bank needs to be independent from intervention, because the bank needs to be able to freely pursue effective monetary policy by its own criteria. This has proved to be the case in several other central banks in advanced countries (see the studies of central bank independence in, for example, Hasse, 1990 and Dyson et al. 1995). In the BoT case, sometimes politicians have been able to intervene in the Bank's operations at the top management level. Nevertheless, the Bank's management has an absolute authority in employment relations matters. Therefore, in this respect, employment relations have always been regarded as an internal issue for the Bank.

### *1.5 Conclusion*

The scope and limitations of HRM in central banks are an important but hitherto neglected area of investigation, especially in Thailand. The present study recognises that, first, HRM programmes are popularly seen as recipes for improving employment relations; but, secondly, this study also argues that such programmes face important problems and limitations in this regard. Thirdly, the present study suggests that specific features of the history, role and context of the organisation need to be addressed to explain the scope and limitations of such human resource policies in terms of their capacity to change work and employment relations. Therefore, this thesis seeks to develop an appropriate analytical framework which will be applied to the study of the changes in employment relations in Thailand's central bank, and the characteristics and consequences of its new HRM programme. In particular, this case study of the BoT will examine the managers' and employees' responses to such changes. These were often negative and confused, and made the process of implementing HRM reforms very difficult. Emphasis will be placed on both the different actors within the BoT, and the evolving relationships among its staff and work processes, in order to understand the opportunities and challenges that have to be faced in the process of transformation toward better employment relations.

As will be discussed in detail in the following chapter, HRM claims to provide a more effective approach to the firm's employment relations, and it is assumed that this approach will enhance the performance of the organisation. Undoubtedly, according to the official report (AEFTFC, 1999), the BoT's employment relations situation was problematic, and the difficulties were exposed after Thailand's financial crisis began in 1997 (see the discussion in Chapter 5). The Bank thus determined to introduce a

number of radical changes in the BoT's operations, including the reform of employment relations toward the widely recommended HRM. These reforms are still being implemented (early 2002), so in some ways the final outcomes are not yet evident. However, the evidence that the implementation process is experiencing a number of tensions and problems suggests that this is not merely a consequence of the initial novelty of HRM, but also reflects more substantial short-comings.



## Chapter 2

### LITERATURE REVIEW

The aim of the literature review presented in this Chapter is to identify key references for the study of human resource management (HRM) and to demonstrate and develop the conceptual framework of the present thesis. Because there are numerous HRM models available, only models relevant to the present study are selected for review here. Therefore, the focus is on relevant Western literature pertaining to the theoretical understanding of HRM and the identification of key themes that relate to the present research. Such themes, which will be used to develop the analytical framework of this study, concern the major contradictions and limitations in the model of HRM, critiques of the management of corporate cultural change in relation to HRM, the role of established institutional features within the organisation in influencing the reception of HRM policies, and the appropriate role of a firm's human resource (HR) function in developing HRM policies. It is also important to note here that the reason why this present study concentrates mainly on the Western literature is because this study aims to analyse the capacity and limitations of HRM, which is a Western concept, when applied to an organisation and society with a different culture, institutions and values, as in the case of the Thai central bank.

This Chapter is organised as follows. First, initial analytical observations of this study will be presented. Secondly, a discussion of the theoretical framework of this study will be provided. This section is divided into several sub-sections in line with issues that are relevant to the study of HRM in this research. They are the definition of HRM, models of HRM, the relationship between corporate culture and HRM, the

institutional context for organisation, the role of the HR function, and organisational change models. Literature in each section will be reviewed in turn in order to provide the analytical framework for this study, which will be shown with a conclusion in the final section of this Chapter.

### *2.1 Initial Analytical Observations*

Before proceeding with the detailed discussion of this Chapter, there are several important issues that need to be addressed. First of all, it is extremely important to stress the focus of the present study, since this will be used as a basis for the literature review. The study adopts a critical, investigative and academic approach to the subject of HRM in the Bank of Thailand (BoT). In so doing, it is not the intention to try to identify a particular ‘international best practice’ which can be adopted by organisations across the globe. Rather, we recognise that HRM policies must take into account a whole range of factors – for example types of products and markets, ownership patterns, industrial relations institutions, and so on – and must therefore be tailored to the needs of particular companies and particular situations in individual countries. Moreover, the criteria chosen to evaluate the appropriateness of specific HRM policies are bound to have different implications for HRM strategies. For example, HRM policies may be related to the goals of immediate profitability, the cultivation of employee support, the avoidance of conflict, or long-term market share. National differences (of culture and institutions) will almost certainly influence the selection of evaluation criteria and will have an impact on the conditions of organisational performance. Given all these important points, it is crucial from the outset to stress that we seek to determine how we can best analyse and understand the application of HRM approaches in the BoT and the resultant pattern of experiences

among consultants, managers and other employees, and how far and in what ways Western approaches and models are relevant to the very different conditions in Thai society.

A second important issue, which will come to the fore at several points in this thesis, and particularly in this Chapter, is that of the *relationship between management and employee agendas and interests* in relation to HRM. The overall idea of transforming an organisation, in this case the BoT, is based on the argument that HRM is becoming increasingly necessary to the organisation, because HRM is seen to provide a more effective approach toward employment relations, but at the same time it is also perceived by management that in some cases employees' 'resistance' is evident. This clearly suggests that the adoption of a 'unitarist' frame of reference, in which management's priorities are seen as necessary and workers' concerns are constructed as an expression of 'resistance', is inadequate.

In fact, in any organisation, especially one (like the BoT) with a large number of employees, there are bound to be a number of different groups with different perspectives and interests, not only management and employees but also sub-groups among employees themselves. From this pluralist perspective, the approach to employment relations needs to take into account the full range of experiences, outlooks and interests within the organisation if the firm wants its employment relations and employee management to be effective. However, most versions of HRM look at employment relations from a business management point of view and neglect the different perspectives, priorities and interests among distinct groups within the organisation.



The universalist paradigm in HRM (Brewster, 2001) suggests that the purpose of the study of HRM is to improve the way human resources are managed within the organisation, and to improve organisational performance, as judged by its impact on the organisation (see, for example, Wright and McMahan, 1992; Huselid, 1995; Becker et al., 1997). Indeed, as Brewster (2001) suggests, this universalist approach tends to believe that this objective of studying HRM will apply in all cases:

‘The value of this paradigm lies in the simplicity of focus, the coalescing of research around this shared objective and the clear relationship with the demands of industry. The disadvantages lie in the ignoring of other potential focuses, the resultant narrowness of the research objectives, and the ignoring of other levels and other stakeholders in the outcomes of strategic human resource management.’

(Brewster 2001: 257)

Therefore, one of the tensions within the HRM programme arises because HRM adopts the ‘unitarist’ point of view toward the issues of employment relations. HRM suggests what is ‘best’ for the organisation to do, without considering the various interests of different groups within the organisation. Indeed, HRM tends to assume a convergence of interests. Scott (1994), for example, suggests that HRM often denies the existence of different interests, outlooks and priorities within the organisation. This suggests that in a transforming organisation, where HRM is regarded by management as a tool to help the organisation to transform effectively, there is bound to be conflict and confusion due to employees’ different perspectives. Such conflict



and confusion are normally perceived by management as 'resistance'. However, employee's concerns should not be reduced to forms of resistance by rational management. In fact, scepticism, puzzlement and/or resistance among employees should be seen as meaningful responses grounded in their distinctive preoccupations and concerns, not just as an expression of negative and irrational views. This former perception has resulted from management's widespread adoption of the unitarist frame of reference and its failure to recognise the value of the pluralist frame.

Fox (1985) explains the distinction between the two perspectives. 'Unitarism' refers to the view that management is the only legitimate source of authority, control and leadership in the enterprise. This encourages a picture of the enterprise as a unified team pulling together for the common good. The terms and conditions of employment contracts, for instance, are settled by the coercive power of the employer, not by equitable negotiation between parties. In short, 'unitarism' refers to the situation in which one point of view prevails and where there is no acknowledgement of the views of other parties.

By contrast, pluralist analysis accepts the present pattern of opportunities for mobilising power, influence and justice enjoyed by the various interests and pressure groups of the organisation (Fox, 1985). Management can secure the long-term benefits of the organisation by taking into account all the interest groups affected – employees, shareholders, consumers, the community and the national interest. As Fox points out, this also involves management holding the balance between the sometimes divergent claims of the various participant interest groups. However, this approach is not without its problems. Imbalances of power among interest groups do occur and

can lead to a more complex and difficult decision-making process. Also, the pluralist perspective is more easily achieved in an organisation with organised labour and collective bargaining, since these provide a mechanism that enables contending parties to negotiate their mutual accommodation. Where there is no organised labour, other interest groups besides management, especially employees, have less power to bargain.

HRM is usually associated with the unitarist perspective (Scott, 1994), therefore such an approach can easily prove ineffective since it neglects the interests of the other parties involved. As Guest (1987) argues, for example, there are in fact multiple and perhaps competing commitments: commitment to the organisation, to one's career, one's job, the union, the work group or the family. How can we know which type of commitment is most important to an employee? In fact, the answer to this question depends on many situational factors. For example, a son may feel a strong commitment to his family and to his school. Similarly, a line manager in the organisation may commit himself to his subordinates in his role as supervisor and to the job in hand in his role as an employee of the company. Similarly, a sales person may be committed to the company as a whole, but may also have a commitment to his particular branch.

The next issue that needs to be addressed here is that, when the models discussed in this Chapter are used as reference points for analysing our case study of the BoT in later chapters, there may be a problem because the Bank's characteristics are different from those specified in the models. This is especially relevant with regard to the strategic choices model, which aims to focus on market-oriented companies and their

different life-cycle stages, as suggested by Kochan and Barocci (1985), or the linkage of different human resource policies with different business strategies (Schuler and Jackson, 1987)<sup>1</sup>. This literature aims to explain the stages and strategies relevant to the operation of commercial, profit-seeking organisations, since such organisations have different business strategies and policies at the different stages of start-up, growth, maturity and decline, when operating in a market.

However, one might argue that in the BoT case there is no market, as the BoT is the single financial regulator in the country with no competition. In this respect, according to the Modernisation Programme Office's newsletter (number 9, March 2001), one of the Deputy Governors made it clear that the BoT is very important to the nation's economic performance and stability; therefore improving the Bank's work processes to the 'international standard' is necessary. This includes the Bank's work process in terms of employment relations. As a result, strategic HRM was seen to offer a solution to the Bank's need for more effective employment relations. In addition, in several executive meetings, where the researcher had an opportunity to observe as a participant, the Bank's junior and senior executives always agreed that the BoT needs to operate as a commercial unit if it wants to cope with today's rapidly changing conditions.

Therefore, if we take an example from Kochan and Barocci's (1985) model (see detail of this model later in this Chapter), the BoT case can also be viewed in terms of life-cycle stages. For example, in the mid-1980s and early 1990s, when the Thai economy

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<sup>1</sup> In fact, this issue is also true when considering other HRM models. This is because HRM tends to be aiming at a better organisational performance, which is easy to measure in a profit-seeking company where nominal evidence such as profit is obvious. However, a non-profit company also needs such 'better performance', therefore the issue of HRM in a non-profit and non-market oriented company has been an increasing concern (for example see Marsden and French 1998).



enjoyed successive years of economic growth, the BoT entered the 'growth' stage. During the high-economic growth period, the BoT's responsibility was increased because Thailand needed to be even more effective in terms of economic management in order to keep up with the world economy. According to the model by Kochan and Barocci (1985), the resulting expansion also meant that the BoT needed to have a clear management succession plan (for example the clear criteria to select officers for critical management positions). However, at that time, there was no clear succession plan in the BoT. Thus, some important management positions were filled by inappropriate personnel, and this was seen as one cause of the Bank's failure to cope with the start of the financial crisis.

Furthermore, it is also important to stress the issue of the relationship between effective employment relations and organisational performance. As stated earlier, in a private-sector organisation performance may be indicated by, for example, a profit<sup>2</sup>. However, it is different in a non-profit organisation such as the BoT. One might argue that the nation's economic performance can be seen as one of the key indicators of the central bank's performance. Certainly, the central bank plays a very significant role in the nation's economic management. However, a good national economic performance does not necessarily mean that the central bank's employment relations are effective. For example, according to one 'benchmark' study that the BoT's external consultant produced for the BoT (see detail in Chapter 6), the central bank of Hungary was seen as having more effective employment relations than the central bank of Germany, a country which has certainly enjoyed much more economic stability than Hungary.

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<sup>2</sup> Nevertheless, one might argue that this may not be the case. For example, increasing profit does not necessarily mean better performance of employees. Increased profit may due to other causes such as increased investment. Secondly, the 'profit' term is not straightforward – are we considering short or long term? Does high profit lead to effective employment relations or vice versa? For further discussion see Legge (2001).



This raises the question of how the effectiveness of employment relations in different central banks is measured. The criterion of the consultant was that if the central bank had systematic management of its human resources, especially if the central bank linked its human resource strategy with its business strategy as suggested in HRM theory, then that central bank was seen as having an effective method of managing its human resources. It can be seen, therefore, that the consultant already presumed that HRM is a solution for effective employment relations, because the consultant tried to suggest that any central bank that has HRM elements also has effective employment relations.

In this respect, the criteria suggested by Marsden and French (1998) in their study of HRM practice in the British public sector<sup>3</sup> seem to be more useful. They explain (p. 2) that in judging the effects of performance-related pay systems in the British public sector, two main outcomes were used. The first was employees' views on how their scheme affected their own motivation and that of their colleagues. The second involved the judgements of line managers who carried out appraisals of the effects on staff performance. These criteria are interesting because the researchers selected persons who directly experienced the new performance management system, and because the employees and managers were in the front line of the organisation's performance appraisal system. Although the effects of the new system cannot be described in simple quantitative terms (for example increased profit or loss for the firm) because of the organisation's characteristics and operations, this method proved to be reliable, because the persons involved in the new system themselves expressed their feelings.

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<sup>3</sup> British public-sector organisations in Marsden and French's (1998) study are the Inland Revenue, the Employment Service, two NHS Trust Hospitals and Schools.

Our case study of the BoT is very similar to the organisations studied by Marsden and French (1998). They (British public-sector organisations and the BoT) all have a large number of employees and all are non-profit seeking and non-commercial organisations. Therefore, in Chapters 5–8, where the analysis of HRM in BoT will be developed, the judgements of different actors (employees, managers, and other powerful groups in the BoT, such as the top management and employee representatives), will be used as the main criteria to assess how effective the employment relations in the BoT are.

The last issue that needs to be clarified here is about different ‘interest groups’ and stakeholders in the BoT<sup>4</sup>. This is because the present study argues that HRM needs to consider the presence of different interest groups within the firm. If we use the framework suggested by Kochan et al. (1986), the different interest groups or ‘actors’ in the BoT consist of employers (junior managers, senior managers and high-ranking management [Assistant Governor and above]), and employees (members of staff in general). Moreover, because the BoT is a large organisation with departments performing different types of work, there are bound to be differences among departments as well. For example, the interests of the Monetary Policy Department, with office workers and researchers, is certainly different from the interests of the factory performing Note Printing Work, which consists mainly of manufacturing workers.

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<sup>4</sup> The debate about the concept of ‘interests’ is extensive but will not be pursued further in this thesis. This study treats interest groups in the pluralist sense of groupings with distinctive social locations, experiences, outlooks and priorities. The debate about the concept of ‘interests’ can be seen in, for example, Edwards (1986).

## *2.2 Theoretical Framework*

The purpose of this section is to develop an analytical framework for the subsequent examination in later chapters. In order to achieve this, examples from the Western literature on HRM are used. The presentation is organised under a number of headings related to key issues in the study of HRM. Each model will first be presented before subjecting it to a critical review. There are two main parts in this section: the first presents a definition of HRM, while the second selects and summarises relevant models of HRM for analytical purpose in later chapters.

### *2.2.1 What is HRM?*

In the 1970s the term ‘personnel management’ was in widespread use. This emphasised the role of the personnel specialist as a negotiator of collective bargaining and administrator of employee policies and procedures (Legge, 1978; Tyson, 1987). In the 1980s and 1990s, the experience of economic recession prompted a search for a new conceptual approach to management (Du Gay and Salaman, 1992; Wood, 1989). According to Wood (1989), the ‘new wave’ of management focused on the importance of organisational culture. This search for a new conceptual framework allowed both academics and practitioners to extend their horizons. Thus, to take an example, there was a growing interest in the Japanese experience (for example, Elger and Smith, 1994). Eventually, the study of managing people in organisations shifted from an emphasis on the bureaucracy of personnel management to the apparent flexibility and responsiveness of HRM (Hope-Hailey et al., 1997).



Personnel management, according to both American (for example Glueck, 1974; Megginson, 1972; Pigors and Myers, 1969) and British (for example Cuming, 1975; IPM, 1963; Torrington and Hall, 1987) studies, is concerned with selecting, developing, rewarding and directing employees to ensure that they achieve satisfaction and 'give of their best' (Legge, 1989) at work. These tasks are for all managers, not just personnel specialists.

Human resource management (HRM) moves beyond the boundary of personnel management. The debates on HRM have taken rather different forms in the US and the UK (further details of these debates can be found in Legge, 1989: 23-25). The US literature emphasises the need to link HRM with business strategy and cultural change in order to enhance levels of trust, commitment and participation (see, for example, Beer and Spector, 1985; Foulkes, 1986; Walton, 1985). On the other hand, British authors (for example Guest, 1987; Hendry and Pettigrew, 1986; Torrington and Hall 1987), while also linking HRM to business strategy, pay more attention to appreciating people as a valued resource to be developed and not just deployed.

HRM, particularly in its practices, still has to deal with many tasks described in the personnel management handbooks (for example selecting and rewarding people). However HRM is concerned more with planning, monitoring and control rather than problem-solving and mediation. HRM is also chiefly concerned with an individualised employee focus, as demonstrated in the system of individual performance evaluation. HRM also places emphasis on the desired culture, for example trust and commitment, to help the organisation achieve effectiveness. Another defining feature is that HRM has more of a strategic role in synchronising



routine (day-to-day) personnel practices with strategic HRM choices or policies.

Legge (1989: 25) lists the fundamental principles of HRM as follows:

‘that human resource policies should be integrated with strategic business planning and used to reinforce an appropriate (or change an inappropriate) organisational culture, that human resources are valuable and a source of competitive advantage, that they may be tapped most effectively by mutually consistent policies that promote commitment and which, as a consequence, foster a willingness in employees to act flexibly ...’

Therefore, HRM asserts that employees are valued assets and a source of competitive advantage: they are capable of being developed and trained. There is also an emphasis on employee commitment, adaptability and individual responsiveness. In addition, HRM puts the importance of human resources at the core of the organisation’s operation, where human resource policies should be integrated with business strategy. As Storey and Sisson (1993: 52) put it, ‘central to the very idea of HRM is the notion that it entails a more *strategic* approach to the management of people than does traditional personnel management’.

While these features characterise the basic orientation of HRM, there remains considerable scope to specify the implementation of HRM in rather different ways. Some selected models of HRM will be discussed below. Because there are numerous models of HRM, only those relevant for this study are selected for review. There will be an attempt to highlight key issues in the literature and focus on features of organisational change that are relevant to our case study. There will also be a

discussion of critiques of these models, drawing attention to their problems and weaknesses.

### 2.2.2 Models of HRM

A number of HRM models have been proposed. As suggested by Hope-Hailey et al. (1997), such models can be categorised into two broad groups according to how HRM is seen to 'fit' into the organisational context. Thus they suggest that it is possible to distinguish between the outcome (or choices of 'best practice') model and the contingency model, which focuses on different strategies under different circumstances. However, the contrast between outcome and contingency models is less clear than Hope-Hailey et al. (1997) suggest. Another common contrast is to distinguish between the 'hard' version of HRM, which emphasises human resource as a factor of production, and the 'soft' version of HRM, which treats employees as valued assets and a source of competitive advantage (Legge, 1995). Again, neither of these models of HRM resolves the underlying limitations of a unitarist approach to employment relations. Nevertheless, the discussion of HRM models can be seen to have developed from simple, straightforward models to more complicated models of strategic choices and contingencies, which involve increasingly sophisticated ways of theorising HRM. The following review seeks to identify the strengths and limitations of these different models of HRM by starting with the contrast between hard and soft versions and moving through to the debate about contingencies to some of the most sophisticated accounts.

### The 'Hard' and 'Soft' Versions of HRM

The 'hard' version of HRM, according to Legge (1995: 66), 'stresses HRM's focus on the crucial importance of the close integration of human resource policies, systems and activities with business strategy'. In other words, it sees HRM as a tool to drive the strategic objectives of the organisation (Fombrun et al., 1984). This requires, as Hendry and Pettigrew (1986) suggest, human resource policies, systems and practices that are logically consistent with, and supportive of, business objectives. From the 'hard' point of view, a human resource is thus not only a resource that is capable of turning factors of production into wealth, but is itself also a factor of production that needs to be managed, along with land and capital (Tyson and Fell, 1986). In this respect, Torrington and Hall (1987) define HRM as follows:

'Underpinning human resource management is the idea that management of human resources is much the same as any other aspect of management, and getting the deployment of right numbers and skills at the right place is more important than interfering with people's personal affairs.'

(quoted in Legge, 1995: 65)

According to the characteristic of the 'hard' version of HRM, human resources appear to be passive (that is, they are provided and deployed) rather than the source of creative energy in any direction that the organisation dictates and fosters. The 'hard' version's ultimate focus is thus, according to Legge (1995), on human *resource management*.

By contrast, although the ‘soft’ version of HRM also emphasises the importance of integrating HRM strategic choices with business objectives, there is a difference in terms of how it perceives ‘human resource’. Thus, Guest (1987) writes:

‘The main dimensions of HRM [involve] the goal of integration (i.e. if human resources can be integrated into strategic plans, if human resource policies cohere, if line managers have internalised the importance of human resources and this is reflected in their behaviour and if employees identify with the company, then the company’s strategic plans are likely to be more successfully implemented), the goal of employee commitment, the goal of flexibility/adaptability (i.e. organic structures, functional flexibility), the goal of quality (i.e. quality of staff, performance, standards and public image).’

(quoted in Legge, 1995: 65)

The soft view of HRM involves treating employees as valued assets and as a source of competitive advantage through their commitment, adaptability and high quality (of skill and performance). In addition, in the view of Beer and Spector (1985), this approach regards employees as proactive, capable of development, and trustworthy. Therefore, according to Legge (1995), the ‘soft’ model’s focus is on *human resource* management.

Table 2.1 summarises the main distinctions between the hard and soft models of HRM.



**Table 2.1: The Main Characteristics of Hard versus Soft Distinction**

Models	Main Characteristics
Hard	<ul style="list-style-type: none"><li>- Crucial for HRM strategy to be integrated with business strategy (integration from top-down)</li><li>- Human resource as a tool and factor of production to drive the organisation's strategic objectives</li></ul>
Soft	<ul style="list-style-type: none"><li>- Also emphasises integration of HRM strategy with business objectives (integration from bottom-up)</li><li>- Treats employees as valued assets: employees are proactive, capable of development and trustworthy, i.e. seeks to build employee commitment and flexibility</li><li>- Enforces desired corporate cultures</li></ul>

However, neither hard nor soft HRM resolves tensions arising from a unitarist approach to the management of employment relations within the organisation. Both versions of HRM assume that, as stated by Wright and McMahan (1992), HRM is ‘the pattern of planned human resource deployments and activities intended to enable a firm to achieve its goals’ (p. 298). The disadvantages lie in terms of ignoring differences of outlook and interests of different groups within the organisation. There are a number of tensions and ambiguities in the assumptions of both models. The hard version assumes that human resource tied to clear business goals will be experienced as positive by employees, even if this might involve more stress and pressure. The hard version also assumes that a variety of different demands placed on employees (in accordance with different business objectives) will be similarly welcomed. The soft version assumes that allowing employees to develop their capabilities will inevitably benefit management, that such capabilities as employees prioritise will provide clear management pay-offs. The soft version also assumes that the costs of such developmental strategies will be recouped, when in reality, it might not be so.

The emergence of sub-units within an organisation is likely to lead to the cultural distinctiveness of the sub-units, which might or might not be in accordance with the desired organisational culture as a whole. Then, as Legge (1989) suggests, not only

would there be difficulty in merging sub-cultures, but there would be a potential for inequality and inconsistency among sub-units' HRM policies. In turn, this would undermine the trust and commitment that is supposed to develop through HRM. For example, the market conditions of, say, the public relations department, which emphasises the need to build the company's image (e.g. by financing social projects such as care for the disabled) might contradict the profit-seeking goal of the whole organisation.

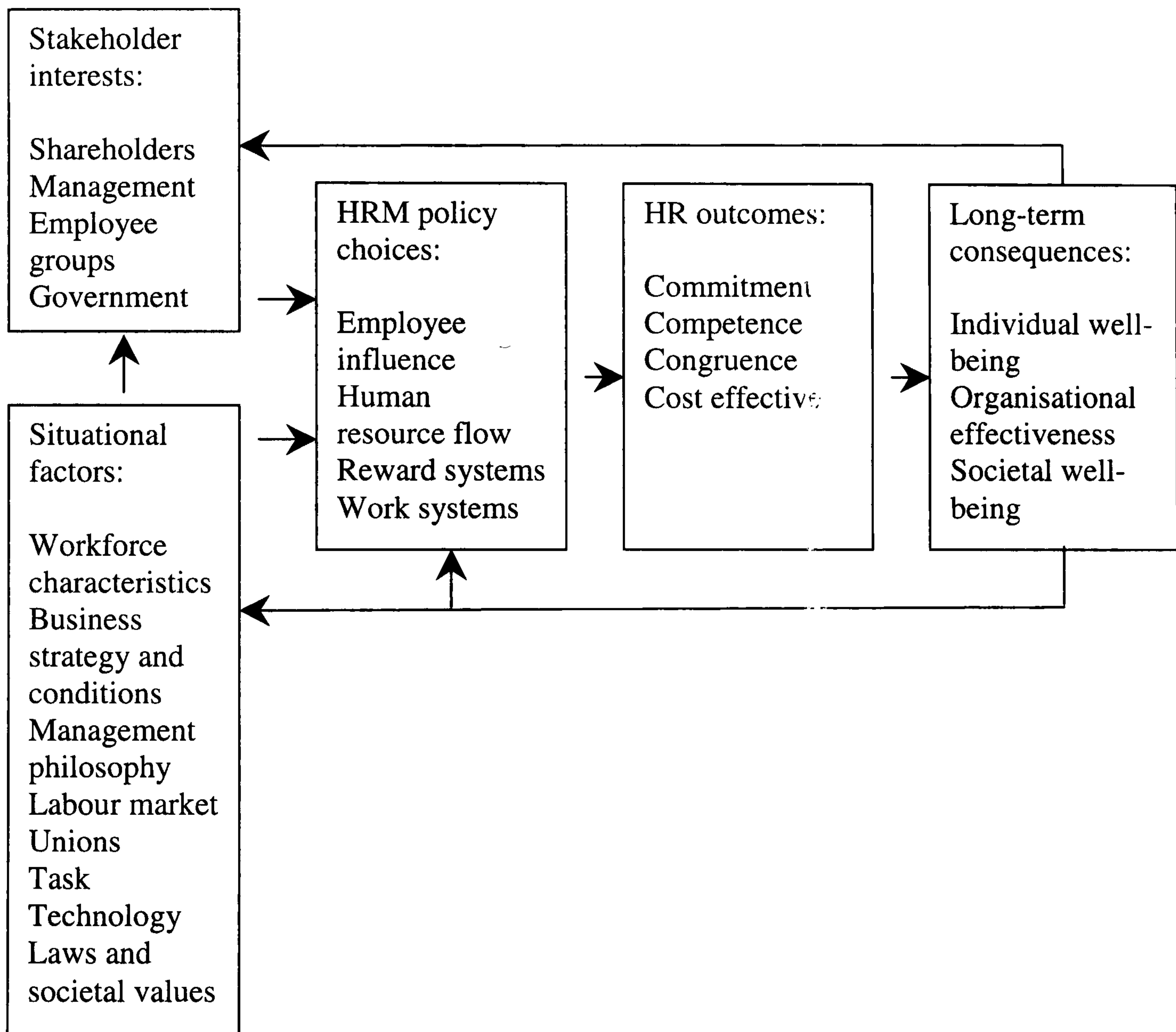
### The Outcome and Contingency Models

As noted above, Hope-Hailey et al. (1997) seek to categorise HRM models into 'outcome' and 'contingency' models. Whereas the 'hard versus soft' distinction emphasises how different theorists perceive human resources, the outcome versus contingency distinction focuses on how firms should apply HRM. The outcome models offer a 'package', with choices for practitioners to choose from. The contingency models argue that HRM is dynamic and thus different strategies should be considered at different times and in different circumstances. However, the key features of both types are actually similar in terms of 'strategic choices' for practitioners. In fact, the development of HRM theory from the universalist paradigm to the outcome, contingency and strategic choice models demonstrates an increasingly sophisticated way to theorise HRM.

According to Hope-Hailey et al. (1997), one of the most popular formulations of the outcome model is the Harvard Model (Beer et al., 1984). In essence, this suggests that HRM policy choices will be influenced by a set of stakeholders (shareholders, management, employees, etc.) and by the set of particular situational factors. The

management's strategic task is to make certain fundamental policy choices in the light of these factors. If appropriate choices are made across the clusters of decisions as shown in Figure 2.1, then beneficial HR outcomes will follow.

**Figure 2.1: The Harvard Analytical Framework for HRM**



Source: Beer et al. (1984: 16)

An alternative outcome model is the MIT model (Kochan et al., 1986). Even though this was applied originally to the study of the transformation of American industrial relations, Kochan et al. (1986: 5) also see it as a basis for a more universal strategic approach in the future, as expressed in the concept of 'strategic choices':



‘... the ultimate purpose is not simply to describe and interpret current developments. Instead, we wish to develop a more *strategic* perspective on industrial relations and thereby demonstrate that future patterns are not unalterably pre-determined by economic, technological and some other forces... our central argument is that industrial relations practices and outcomes are shaped by the interaction of environmental forces along with the strategic choices and values of American managers, union leaders, workers and public policy makers.’

The authors’ analytical framework is presented in Table 2.2. The top tier represents the strategic decision making level, the middle tier is a functional tier of collective bargaining and personnel policy making, and the lowest tier indicates day-to-day workplace activities. The columns indicate the three main ‘actors’: employers, unions and the government. Together, these categories yield a nine-cell matrix which depicts the different types of industrial relations behaviour. As Kochan et al. (1986) suggest in the above quotation, industrial relations outcomes are based on how each actor selects from these ‘strategic choices’:



Table 2.2: Three Levels of Industrial Relations Activity

Level	Employers	Unions	Government
Long-term strategy and policy making	Business strategies Investment strategies Human resource strategies	Political strategies Representation strategies Organising strategies	Macroeconomic and social policies
Collective bargaining and personnel policy	Personnel policies Negotiations strategies	Collective bargaining strategies	Labour law and administration
Workplace and individual/organisation relationships	Supervisory style Worker participation Job design and work organisation	Contract administration Worker participation Job design and work organisation	Labour standards Worker participation Individual rights

Source: Kochan et al. (1986)

Kochan et al. (1986) use the above framework to study the fundamental changes in American industrial relations over a 50-year period. The aim is to show how American companies have moved towards a new approach to managing their employees. The traditional model is proved to be ‘inadequate in meeting the contemporary needs of employers for efficiency, flexibility and adaptability and of unions for organising and representing workers’ (Kochan et al., 1986: 224), and thus ‘... what is needed is a blending of traditional representative and newer participatory processes along with perhaps additional, more individualised forms of voice and representation’ (p. 225). Thus, new attitudes toward management style suggest new ways of managing people in organisations. At the long-term strategy and policy-making level, business strategy is seen as the preserve of managerial decision. The middle tier, collective bargaining and personnel policy, witnesses a move away from tightly constrained comprehensive contracts to ‘enabling agreements’. The workplace level moves towards experimentation with flexible working and management-employee cooperation.

However, again, HRM from this perspective still cannot escape from its dilemma of unitarism. These models also indicate the range of ambiguities and tensions implicit in the practice of HRM. If a key feature of HRM is its role as a management tool to control the workforce, it is bound to result in internal conflict. Therefore, a contradiction is indicated by the question of whether theories of HRM are primarily intended to be normative or analytical. For example, in terms of the Harvard model discussed above (Beer et al., 1984), the interests of management and unions may well diverge. If that happens, whose interest will be used to justify an appropriate choice of HRM policy? Similarly, although the above model from Kochan et al. (1986) seems to try to integrate a more pluralistic approach by treating unions and the state as distinctive actors interacting with employers, it still cannot escape from this sort of limitation. The same limitation can be applied here, similarly to the Harvard model, that if interests of involved actors diverge, the model does not clearly state whose interest would be used to justify an appropriate choice.

The outcome model also neglects the real-life dynamics of organisation. The conditions of different organisations, or even those of the same organisation, change over time. This is precisely why the contingency model was developed. For example, in the Harvard model there is a practical difficulty in linking the shareholder interests and situational factors with the HRM policy choices. If, for example, the management's interest is in making a profit, it is not clear what the best choice of HRM policy will be. Increasing the reward for employees, for instance, will not necessarily lead to more employee commitment and competence, and might not even lead to more profit for the organisation.

The contingency model seeks to compensate for the limitations of the outcome model. The straightforward approach of the latter has convinced some academics and practitioners that HRM is not 'strategic' enough. Therefore, in terms of the contingency model, the picture is even more complicated. According to Storey and Sisson (1993), three main types of contingency model have been proposed: (1) one type stresses the link between HR strategic choices and different 'stages' in the business life cycle; 2) another type stresses the link between HR strategic choices and different corporate strategies and structures; and 3) another types focuses on the link between HR strategies and different types of business strategies as identified by Porter (1980 and 1985).

First, there are several authors who use the 'stage' approach to the study of HRM. Examples are Baird and Meshoulam (1988), Kochan and Barrocci (1985) and Lengnick-Hall and Lengnick-Hall (1988). The key notion underpinning the business life-cycle stages model is that the appropriate HRM policies should link with the different stages of a business's start-up, growth, maturity and decline. In other words, at each stage the business will have different priorities, each requiring its own appropriate human resource strategies. Table 2.3 shows Kochan and Barrocci's (1985) presentation of the link between four business life-cycle stages and appropriate HR policies.



**Table 2.3: Critical Human Resource Activities at Different Organisational or Business-unit Stages**

Human resource function	Life-cycle stages			
	Start-up	Growth	Maturity	Decline
Recruitment, selection and staffing	Attract best technical/ Professional talent	Require adequate numbers and mix of qualified workers. Management succession planning. Manage rapid internal labour market movements.	Encourage sufficient turnover to minimise lay-offs and provide new opening. Encourage mobility as re-organisations shift jobs around.	Plan and implement workforce reductions and reallocation
Compensation and benefits	Meet or exceed labour market rates to attract needed talent	Meet external market but consider internal equity effects. Establish formal compensation structures.	Control compensation	Tighter cost control
Employee training and development	Define future skill requirements and begin establishing career ladders	Mould effective management team through management development and organisational development	Maintain flexibility and skills of an ageing workforce	Implement retraining and career consulting services
Labour/employee relations	Set basic employee relations philosophy and organisation	Maintain labour peace and employee motivation and morale	Control labour costs and maintain labour peace. Improve productivity.	Maintain peace

Source: Kochan and Barocci (1985: 104)

First, at the start-up stage, business is deemed to be setting itself up in the market. The key requirement is for strategies which quickly attract the best talents by offering high compensation rates. The organisation also requires training and development strategies which will build a foundation for the future, and also an underlying philosophy for the new business. By contrast, at the maturity stage, the organisation's HRM emphasises the control and maintenance of costs and resources. The organisation also has to look into the future by re-organising itself to improve efficiency and productivity. Nevertheless, at this maturity stage, the organisation has to deal with an ageing workforce by encouraging multi-skilling for greater flexibility.

The second type of contingency model stresses the link is between HR strategic choices and different corporate strategies and structures, in this respect the model by Fombrun et al. (1984) may be cited. This model represents a range of appropriate HR choices suited to five different strategy/structure types, as shown in Table 2.4:

Table 2.4: HRM Policies linked to Strategy and Structure

Strategy	Structure	HRM Policies			
		Selection	Appraisal	Rewards	Development
Single product	Functional	Functionally oriented: subjective criteria used	Subjective measure via personal contact	Unsystematic and allocated in a paternalistic manner	Unsystematic, largely job experiences: single function focus
Single product (vertically integrated)	Functional	Functionally oriented: standardised criteria used	Impersonal: based on cost and productivity data	Related to performance and productivity	Functional specialists with some generalists: largely rotation
Growth by acquisition (holding company) of unrelated business	Separate self-contained businesses	Functionally oriented, but varies from business to business in terms of how systematic it is	Impersonal: based on return on investment and profitability	Formula-based includes return on investment and profitability	Cross-functional but not cross-business
Related diversification of product lines through internal growth and acquisition	Multi-divisional	Functionally and generalist oriented: systematic criteria used	Impersonal: based on return on investment, productivity and subjective assessment of contribution to company	Large bonuses: based on profitability and subjective assessment of contribution to overall company	Cross-functional, cross-divisional and cross-corporate/divisional formal
Multiple products in multiple countries	Global organisation (geographic centre and world-wide)	Functionally and generalist oriented: systematic criteria used	Impersonal: based on multiple goals such as return on investment, profit tailored to product and country	Bonuses: based on multiple planned goals with moderate top management discretion	Cross-divisional and cross-subsidiary to corporate: formal and systematic

Source: Fombrun et al. (1984)

A company following a single-product strategy is likely to be traditional in appearance: selection, appraisal, rewards and development systems tend to be subjective and unsystematic. By contrast, a company pursuing a diversification

strategy, with a multi-divisional structure, is likely to be characterised by a HRM strategy which is impersonal, formal, systematic and discreet.

Thirdly, a further type of contingency model is where HR policy choices are linked with the different types of business strategies drawn from Porter’s (1980 and 1985) work on corporate strategy (for example Schuler and Jackson, 1987). Porter suggests that there are three business strategies for gaining ‘competitive advantage’: innovation, quality-enhancement and cost-reduction. This theory suggests that when the firm selects, say, innovation as a means to gain competitive advantage, certain predictable required patterns of behaviour, or ‘role behaviours’ (Schuler and Jackson 1987), will emerge. Therefore, certain HRM policies will be needed in order to evoke and maintain these behaviour patterns (see Table 2.5):

**Table 2.5: Business Strategy, Employee Role Behaviour and HRM Policy Choices**

Business Strategy	Employee Role Behaviour	HRM Policies
Innovation	A high degree of creative behaviour	Jobs that require close interaction and coordination among groups of individuals
	Longer-term focus	Performance appraisals that are more likely to reflect longer term and group-based achievements
	A relatively high level of cooperative, interdependent behaviour	Jobs that allow employees to develop skills that can be used in other positions in the firm
		Compensation systems that emphasise internal equity rather than external or market-based equity
	A moderate degree of concern for equality	Pay rates that tend to be low, but that allow employees to be stockholders and have more freedom to choose the mix of components that make up their pay package
	A moderate concern for quantity	
	An equal degree of concern for process and results	Broad career paths to reinforce the development of a broad range of skills
	A greater degree of risk taking	
	A high tolerance of ambiguity and unpredictability	



Quality enhancement	<p>Relatively repetitive and predictable behaviours</p> <p>A more long-term or intermediate focus</p> <p>A moderate amount of cooperative, interdependent behaviour</p> <p>A high concern for quality</p> <p>A modest concern for quality of output</p> <p>High concern for process</p> <p>Low risk-taking activity</p> <p>Commitment to the goals of the organisation</p>	<p>Relatively fixed and explicit job descriptions</p> <p>High levels of employee participation in decisions relevant to immediate work conditions and the job itself</p> <p>A mix of individual and group criteria for performance appraisal that is mostly short term and results oriented</p> <p>A relatively egalitarian treatment of employees and some guarantees of employment security</p> <p>Extensive and continuous training and development of employees</p>
Cost reduction	<p>Relatively repetitive and predictable behaviour</p> <p>A rather short-term focus</p> <p>Primarily autonomous or individual activity</p> <p>Moderate concern for quality</p> <p>High concern for quantity of output</p> <p>Primary concern for results</p> <p>Low risk-taking activity</p> <p>Relatively high degree of comfort with stability</p>	<p>Relatively fixed and explicit job descriptions that allow little room for ambiguity</p> <p>Narrowly designed jobs and narrowly defined career paths that encourage specialisation, expertise and efficiency</p> <p>Short-term results oriented performance appraisals</p> <p>Close monitoring of market pay levels for use in making compensation decisions</p> <p>Minimal levels of employee training and development</p>

Source: Schuler and Jackson (1987: 209-213)

For example, when a cost-reduction business strategy is chosen, the behaviour patterns will have a short-term focus, with a low level of risk-taking activity. The HRM policies for the cost-reduction strategy should allow little room for ambiguity in job descriptions, should encourage specialisation, expertise and efficiency, and should closely monitor market pay levels for the purpose of making compensation decisions.

Despite efforts to contrast them, in practice the outcome and contingency models are quite similar. According to Storey and Sisson (1993), the contingency model seems to be more complicated and strategic than the outcome model, which offers a range of best practices to choose from. This may be true if we consider that the contingency model also imports other theories in the field of business studies, and seeks to integrate different theories to produce a better HRM model. However, taking the example of Schuler and Jackson's (1987) model in Table 2.5, the contingency model still tries to suggest a range of choices in order to match employee role behaviour and appropriate HRM policies. It is thus similar to the outcome model in key respects. Therefore, even though Hope-Hailey et al. (1997) attempt to divide all HRM models into the outcome and contingency categories for ease of summary, the danger is that this will lead academics and practitioners to think that the two models are mutually exclusive.

In fact, if we consider the examples in Figure 2.1 (the model from Beer et al., 1984), Table 2.3 (the model from Kochan and Barocci, 1985) and Table 2.4 (the model from Fombrun et al., 1984), it can be seen that not only are the 'outcome' and 'contingency' models similar, but all three examples also offer 'strategic choices' for HRM. This 'strategic choice' approach believes that organisations should respond proactively and adaptively. The combination of different strategic choices models could also be used in practice. For example, the organisation could move between the 'mature' and 'growth' stages (from the model in Table 2.3) by changing its production from a single product to multiple products in multiple countries (from the model in Table 2.4). Therefore, the categorisation into the outcome and contingency

models seems to be inappropriate, since all the models offer 'strategic choices' from which a selection can be made.

From the notion of strategic choices models, it can be observed that the environment and external conditions and pressures do not dictate one specific policy repertoire, rather senior managers (and perhaps a broader coalition of enterprise interests) have some scope to develop and select policy options, for example choice among HRM policy bundles. Secondly, there is some scope for such action to modify the external conditions themselves, in part by strategic choices about what their organisation is practiced in the market place, for example choice of location of firm in specific country or locality.

Not only from the unitarist versus pluralist framework, but the discussion of contingencies and strategic choices also reveals that HRM is problematical in itself. For example, the manager who seeks to act strategically in HRM will soon discover that the task is certainly not as straightforward as these models appear to suggest. HRM models are based on the assumptions that the HR function has easy recourse to a business strategy, and that appropriate HR strategies can easily be chosen by the managers involved. However, in reality, these assumptions are highly problematical. In fact, broader 'business strategy' is often vague and very difficult to translate into HR operational forms (Storey and Sisson, 1993). In addition, managers might not be able to choose the most appropriate HR strategies, since they (the managers) are usually influenced by other social and political forces. This means that managers' motivations, circumscribed sources of information, and their frames of reference all



act as critical factors in the shaping of strategic choices (Johnson, 1987; Whittington, 1993).

This section has argued that all the HRM models (universalist, hard vs soft, strategic choices) contain tensions and limitations, if not contradictions, within themselves. The most obvious tension is that while HRM deals with the 'management of human resources', which are certainly varied in terms of attitudes, perceptions and responses, HRM tends to be limited because it uses a unitarist approach to solve problems in human resource matters. This present study does not argue that unitarist HRM must fail, but certainly the implementation of HRM in a firm could be more effective, that is effective in terms of solving problems and dilemmas characterising the firm's employment relations if the different perspectives of other groups in the firm (for example employees, trade unions) were also taken into account. This weakness of HRM in neglecting existing differences is discussed in the following section. Whereas HRM programmes always involve a corporate culture change initiative, the existing norms and values within the firm can easily conflict with the new culture that the HRM programme tries to establish.

### 2.2.3 The Relationship of Corporate Culture and HRM

HRM strategy commonly embraces efforts to 'manage' the culture of organisation, to mobilise employee commitment to organisational values and priorities (Sisson, 1990). However, the critical arguments about organisational culture reviewed toward the end of this section suggests that the character of organisational, or corporate, cultures is usually more complex than this suggests, including varied and sometimes conflicting norms and values (for example bureaucratic and professional). Furthermore,

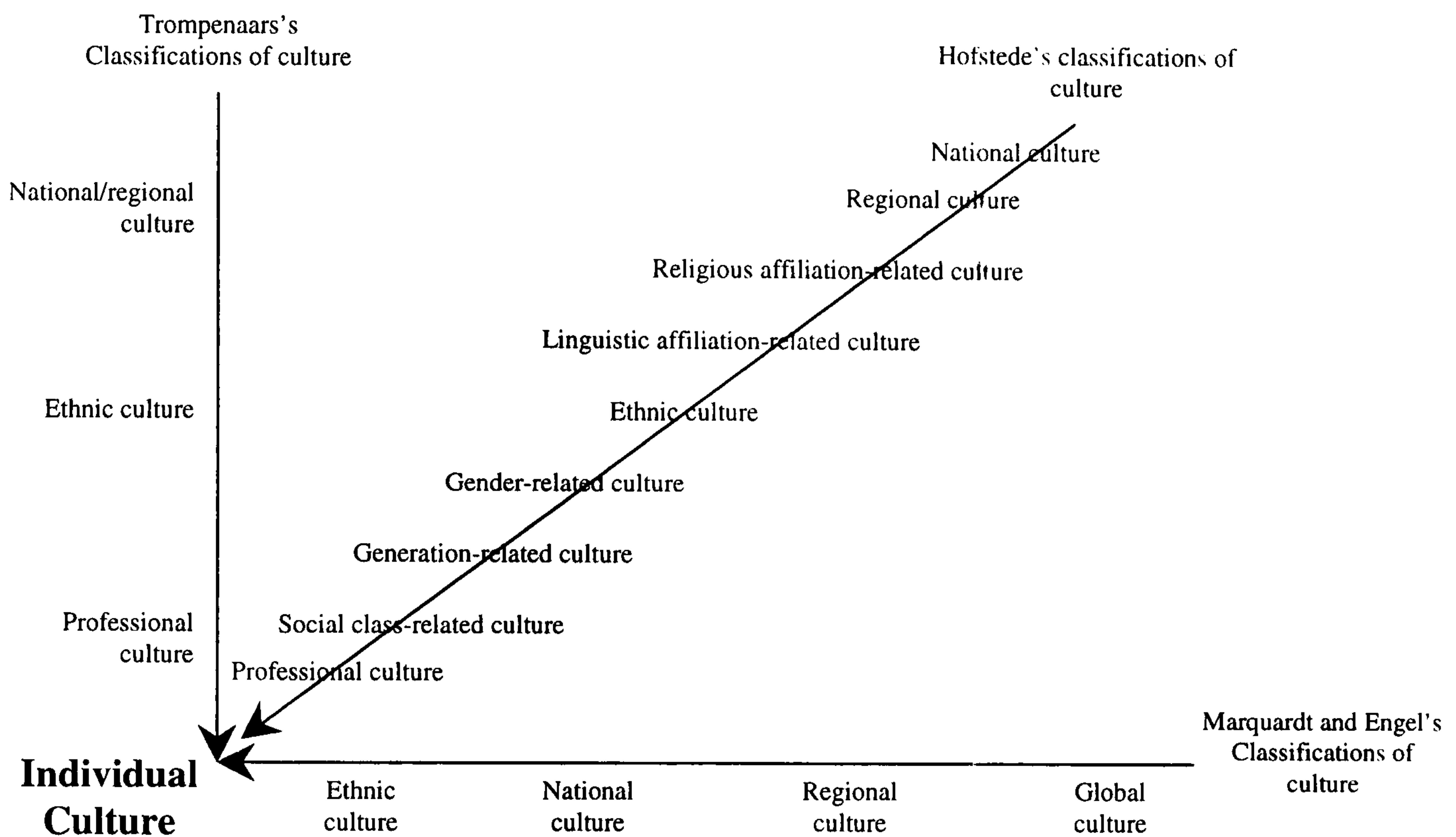
organisational cultures are influenced by the wider society in which they operate. There are two levels of culture (extra- and intra-organisational) of relevance to the implementation of HRM policies. The present study is embedded in the assumption that, first, the theory and practice of HRM in Thailand is affected by 'national' cultural influences. These refer to extra-organisational factors: national culture and values play a significant role in generating employees' and managers' perceptions and attitudes. Secondly, there is an intra-organisational factor, the culture within the organisation, or corporate culture. This is composed of the norms, values and institutions of specific groups of people in the organisation, acting as a fundamental basis for their behaviour as employees.

There are many approaches to cultural studies, ranging from the highly complex analysis by Geertz (1973) to the more simple and functional approach of Hofstede (1980). Despite these contrasting approaches, it is agreed that culture acts upon individuals and culture can be learned and transferred. Culture not only shapes how people see the world, but also helps to create socially agreed rules to direct their behaviour by evoking particular feelings toward certain matters.

Culture has a tremendous impact on individuals. Since individuals constantly interact with larger environmental systems, for example with globalised workplaces and the increasing diversity of social value systems, individuals now have to confront many contradictory values in both their working and non-working lives. The following Figure 2.2, taken from Siriwaiprapan (2000), who combines three models by Hofstede (1991), Marquardt and Engel (1993) and Trompenaars (1994), shows that individual

culture (or culture as experienced by any given individual) is exceedingly complex because it is constructed by the coming together of a number of competing cultures.

**Figure 2.2: Classifications of Culture**



Source: Siriwaiprapan (2000: 38).

In terms of organisational culture, Hofstede's work (1980, 1987 and 1991) is especially important. The author claims that organisational cultures are related to national cultures, which in turn emphasise the broad norms and values, while organisational cultures emphasise the common knowledge and beliefs that lead to effective organisational practices. National cultural differences are reflected in different solutions to organisational problems and in the perceived validity of management theories. Also, different national cultures have different preferred ways of structuring organisations and different patterns of employee motivation, for example in terms of rewards by immediate financial means or long-term welfare, and the priority given to humanisation of work.



Adler (1991: 15) also offers a helpful explanation of 'culture':

'Culture consists of patterns, explicit and implicit of and for behaviour acquired and transmitted by symbols, constituting the distinctive achievement of human groups, including their embodiment in artifacts; the essential core of culture consists of traditional (i.e., historically derived and selected) ideas and especially their attached values; culture systems may, on the one hand, be considered as products of action, on the other, as conditioning elements of future action.'

Adler (1991) suggests that culture is a set of traditions and values that defines and leads human ideas. Culture directs human behaviour and attitudes. In terms of management, employee behaviour is inevitably affected by the culture of the nation in which the organisation is situated. For example, how organisations receive, interpret, and act on information, depends on the national culture (Smith, 1992).

Similarly, Hofstede (1991) defines culture as the collective programming of the mind, which distinguishes the members of one human group from another. He emphasises that culture is not a property of individuals, but of groups. Country boundaries are usually cultural boundaries, and national culture is instilled from birth. It has to do with what is considered proper, civilised behaviour in that country: it includes, for instance, how to act towards strangers, colleagues, and one's family; how to address somebody, whether to look them in the face, when to invite them home. These

arguments raise the question of how Thai culture affect the way in which employment relations are operated. This will be discussed in Chapter 4.

### The Critique of Corporate Culture

In terms of the management of human resources, the active management of organisational culture has become a new ideology in a shift from collectivism to individualism in the management of employment relationships (Sisson, 1990). The HRM literature places considerable emphasis on the role of a strong corporate culture in achieving a high performance level. The notion of HRM suggests that if employees are the strategic resource for the organisation, then 'commitment' is the key to unlocking the untapped human capital. In turn this requires the development of the value-based company, with a strong corporate culture. Research shows that many companies have been engaging in the establishment of such a corporate culture (for example Dickson et al., 1988; Fowler, 1988; Hendry et al., 1988), with performance-related pay and new appraisal systems as a key element in transforming employee attitudes. It is also worth noting here that this aspect of corporate culture also includes new material constraint and incentives, and not just a pure cultural approach as suggested earlier by cultural theorists.

However, a critique of the character of 'organisational' or 'corporate' culture has emerged. In fact, there is no concrete evidence to show that a 'strong' corporate culture actually leads to better organisational performance. Even the famous *In Search of Excellence* (Peters and Waterman, 1982), which tries to prove that a 'strong' corporate culture leads to excellence in management and enhanced organisational

performance, leads to questionable conclusions (Thompson and McHugh, 1995). Accordingly, Martin and Nicholls (1987: ix) conclude:

‘We cannot be sure ... whether that commitment contributed to their [the companies that were studied] success. All we can say is that the managers in question reported that their efforts to create commitment met with a positive response and produced a significant improvement.’

The main critique of the issue of corporate culture can be found in the work of Thompson and McHugh (1995 and 2002). They emphasise that the actual working cultures of organisations are often relatively pluralistic rather than highly coherent, with different sub-cultures (for example departmental, professional, regional). When management attempts to orchestrate a strong unitarist culture, this is likely to be experienced as a rather oppressive move but also one that is unlikely to be entirely successful. In particular, the complexity of corporate culture has been highlighted. As Smircich (1983) argues, it is better to regard culture as something an organisation ‘is’ rather than something an organisation ‘has’. Wright (1994) believes that culture is a dynamic, not static, process and that over time corporate culture is continually and creatively remade by participants in the organisation.

As Thompson and McHugh (1995) further argue, the importance of ‘corporate culture’ in HRM is questionable. There is nothing new in the term itself. For example, Miller (1989) claims that in the UK companies like Cadbury and Marks and Spencer have long been associated with a ‘philosophy’ of paternalism and respect for the individual, even before the now popular terms ‘corporate culture’ and ‘HRM’



emerged. Thompson and McHugh (1995) suggest that the concept of paternalism can be traced back to the mid-nineteenth century on the basis of the study by Joyce (1980). It seems, therefore, that the novelty of efforts to develop a distinctive 'corporate culture' is questionable.

Thompson and McHugh (1995) conclude that cultural theorists have tended to place too much emphasis on the significance and effectiveness of culture within the organisation:

'For example, Wright [1994: 2] talks of the culture of Fordism which is converted from a mission statement into detailed practices, dividing each task into tiny details and specifying how each should be done. In contrast, the culture of flexible organisations rely on empowered, self-disciplined workers. Culture in this sense, however, should not be seen as everything, but rather as managerial attempts to mobilise values and emotions to support corporate goals. An expanded array of often traditional rules and sanctions is then used to enforce the new moral order and extend levels of identification between employee and organisation.'

(p. 216)

There are several important aspects of corporate culture emerging from the above quotation. Corporate culture is only part of a complex cultural ensemble, while cultural change programmes are deliberate and selective tools of management. This means that corporate culture change itself faces limitations in its efficacy because it is

partial and a managerial tool. Also, corporate culture is supported by power and sanctions not just exhortation. In this sense the power of culture to achieve effective employment relations through commitment, as HRM suggests, is limited. Culture can be seen as a tool of management to seek to control the workforce to behave in line with 'desired behaviour'. As Thompson and McHugh emphasise, rules and sanctions are used to enforce such desired behaviour. Therefore, for some, culture and commitment are just the process of re-conceptualising a new form of management control over the organisation (for example, Ouchi and Johnson, 1978; Martin and Siehl, 1983). Some even go further by suggesting that corporate culture signifies not only a new form of control but also the way in which management changes what and how employees think and feel (for example, Ray, 1986; Willmott, 1993). But sceptics suggest that the degree to which such manipulation is successful should not be overstated.

The attempt to introduce a desired corporate culture and to induce employees to act accordingly, which is one of the main elements of HRM, also faces problems arising from ambiguities or conflicts in the norms and values championed within HRM. First, experience suggests that HRM is torn between preaching the virtues of individualism and collectivism. In fact, HRM tends to be individualistic rather than collectivist in orientation (for example Guest, 1987; Storey, 1987). Although with the principle of teamworking, which has always been associated with HRM programmes, individualistic elements of HRM, such as individual performance evaluation and individual career development, have always played a more important role in such programmes. However, this is not to deny that it is important for an organisation to develop a strong corporate culture (Legge, 1989). This not only gives direction to the

organisation but may also mediate the tension between individualism and collectivism, as 'individuals socialised into a strong culture are subject to unobtrusive collective controls on attitudes and behaviour' (p. 36). Secondly, the introduction of a cultural change programme, which is often a part of a broader HRM programme, might also lead to a reduction of the employee's ability to respond flexibly and adaptively – the values of conformity and loyalty may limit initiative and flexibility. Legge (1989) believes that the development of a culture congruent with, and supportive of, a particular business strategy can act as a block to employees adopting different behaviours when market demands change.

Most importantly, a managed corporate culture is unlikely to eliminate the powerful and existing group norms and institutions within the organisation. For example, in the British public sector (Anthony, 1990; Harrison and Marchington, 1992) there has been an increasing conflict between general managers and staff in the NHS, universities and the BBC, arising from attempts by senior managers to impose a corporate culture which is different from older traditions of professionalism and public service which remain embedded in existing informal group norms. This suggests that such cultures are sustained by institutional supports from within the organisation. Thus, corporate culture cannot stand out on its own: it has to operate within the plurality of sub-cultures and institutional features in the workplace. This highlights the importance of institutional features of organisation, which will be discussed in the following section.

Therefore, 'culture' has a limited capacity to explain employee's behaviour, values and norms. For example, we may consider the case of a multinational corporation



(MNC). How can a MNC transfer the same desired corporate culture to branches worldwide given that national and other cultures are different? As Thompson et al. (1993) suggest, integration through financial controls is more likely. Or, let us take the case of IKEA, the Swedish-based furniture company, as studied by Duenas (1993). The example of the IKEA case shows that for the company's foreign branches, a strong corporate culture does not play a crucial role.

#### 2.2.4 Institutional Context of Organisation

As discussed above, with regard to debates around culture, another set of criticisms emerges, suggesting that the claim that 'culture directs human behaviour', as is often held by cultural theorists, is excessively deterministic. Here the criticism does not suggest that cultures and other differences are unimportant, but it does question the adequacy of seeing these differences entirely in cultural terms. The critics emphasise social structures and institutions, of which cultural themes and values are one part (for example Whitley, 1999). Moreover, cultures are often ambiguous or contested (giving rise to sub-cultures), and dominant values can be, and are, interpreted differently in different circumstances and by different groups. This is a point implicitly acknowledged by the whole range of cultures listed as relevant to individuals in the Figure 2.2 from Siriwaiprapan (2000). Thus, the defining characteristics of organisations have to be seen in terms of institutional arrangements, power relations and distinctive occupational groupings as well as a more or less coherent organisational cultures.

Based on the work by Whitley (1999), the author believes that various institutions, involving both power relations and culture, all have a significant impact on the

behaviour of any economic organisation. Such institutions help to guide, structure and constrain the nature of ownership relations, inter-firm connections and, the focus of this study, employment relations. These institutional features, according to Whitley (1999), can be categorised in terms of four major areas: the state, the financial system, the skill development and control system, and dominant conventions governing trust and authority relations (see Table 2.6).

**Table 2.6: Key Institutional Features Structuring the Business System**

<i>The State</i> Dominance of the state and its willingness to share risks with private sector Extent of establishment of association between individuals, firms and the state Extent of formal regulation of markets
<i>Financial System</i> Capital market-based Credit-based
<i>Skill Development and Control System</i> Strength of state-employer-union collaboration Strength of independent trade unions Strength of labour organisations based on certified expertise The degree of centralisation of bargaining
<i>Trust and Authority Relations</i> Reliability of formal institutions governing trust relations Predominance of paternalist authority relations Importance of communal norms governing authority relations

Source: adapted from Whitley (1999: 48).

Although the above framework from Whitley (1999) seems to be overstating the coherence of national business systems and, at the same time, understating the impact of transnational pressures on these systems, its fourth group of features, trust and authority relations, give a useful framework in analysing institutional features within the organisation. This study is primarily concerned with the last group of features because this study only considers the analysis of institutional features at the

organisational level<sup>5</sup>. An analysis of national institutional complexes is useful, but a definite shift of focus away from the emphasis of this study.

The fourth group of institutional features concerns the norms and values governing trust and authority relationships. The distinction between formal bureaucratic and paternalistic authority relations is explained by Whitley (1999: 52) as follows:

‘[The formal authority relations] (a) restrict superordinate discretion through formal rules and procedures ... (b) acknowledge the independent and autonomous status of subordinates as individuals able to make rational decisions, and (c) involve subordinates in the choice of superordinates and in decision-making to some extent. [The paternalistic authority relations] typically treat subordinates as children who cannot be expected to know their own best interests and act accordingly.’

Moreover, a communal form of authority implies a relatively high level of mutual trust and the commitment of subordinates toward superordinates. All features of authority relations are crucial because they structure the exchange relationships between business partners and between employers and employees. They also affect the development of collective identities and modes of eliciting compliance and commitment within authority systems. The variations in these norms and values result in significant differences in the governance structure of firms, the way in which they deal with each other and with other organisations and patterns of work organisation, control and employment. The institutional features identified here affect different

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<sup>5</sup> Thai experience in relation to these features will be discussed in Chapter 4.



organisations differently. This framework, together with the critique of corporate culture, show that existing norms, values and institutions also play a crucial role in the management of human resources by determining the way in which employees respond to different initiatives and practices from management.

However, as Wilkinson (1996) points out, 'analyses of business structures in East Asia, and elsewhere, do need to include consideration of institutions, ideas and beliefs, but these must be treated with caution' (p. 442). Wilkinson's work criticises both the culturalists' and institutionalists' approaches. Firstly, the culturalists' approach, as discussed above, seems to perceive everything entirely in cultural terms (for example Hofstede, 1991). This does not mean that culture, belief systems and mutually shared ideas have no role, but to explain everything from culture is inadequate. Secondly, one way of moving away from cultural argument is the discussion of institutions and the inter-locking relationship of a range of institutions within the organisation and society (for example Whitley, 1999). In this context, culture and belief system still play a role but they are interacting with a range of more specific institutional and structural arrangements, for example in terms of the ways in which financing and labour market are organised and the way in which the state intervenes. This approach believes that the ways people conduct themselves are a result of power and authority relations as well as culture. They involve tensions and competitions among different interest groups. This institutionalist model has more of a pluralistic approach compared with the culturalist model which tends to slip very easily into a unitarist approach because it tends to assume that we all inhabit a common culture so we will be operating in a common way.

Wilkinson (1996) is critical of the institutionalists as well as the culturalists. His main argument is that although the institutional approach appears to have moved away from the idea of a unified and harmonious cultural totality, in fact the institutional account is also one which tends to emphasise internal inter-dependency, coherence and the way in which everything mutually supports each other and fits together in this way. However, this overstates the coherence and functionalism of business systems. Even within the institutionalists' account, one should have a clear recognition that there may be tensions and contradictions between different aspects of institutional arrangements. For example, the labour market does not necessarily match with the way in which financial institutions are operating, or state policies might operate in favour of the agricultural sector or manufacturing sector in different time. The whole business system is not a coherent institutional whole, and involves important conflicts of interests between different sectors and different classes. Thus, some of the institutionalists' analyses have not sufficiently escaped from the weaknesses of the culturalists' analysis.

Therefore, one must not assume that within a national state there is a relative coherence of institutional arrangements. Furthermore, the inter-relationship between wider international pressures and the national state means that the coherence of national business systems is much more problematical. Therefore, there is a need to emphasise conflicts, power and incoherence between different institutional arrangements, as an important corrective to an over-stated coherence in the institutional account. Wilkinson (1996) recognises the point about specificity of institutional arrangements and does not deny that institutions are important. But one

needs to be cautious about how far one develops the institutional argument. In fact, this fits in with this study's pluralist account that power and conflicts are central.

#### 2.2.5 The Role of the HR Function

The organisation's human resource (HR) specialists have always been delegated to be responsible for management's new policies, initiatives and practices in employment relations, for example in terms of policy implementer or enforcer. Therefore, the following section presents the review of relevant literature concerning the role of the HR function within the organisation. The traditional 'personnel' department has long been associated with the notion of dealing with all the administrative and 'paper work' (especially informational) aspects of human resources. In the recent emerging role of HRM, the HR function now has to deal in a more proactive and adaptive role than ever: both as administrator, as before, and now as implementer of the HRM policies. Thus, it is important in any analysis of HRM policies to look at the role of HRM specialists and departments, to understand the role they may play in developing and implementing these policies.

In order to implement any HRM model, the HR function (involving, for example, the personnel/human resource department and personnel specialists) has to take on strategic and business roles, normally as an implementer and administrator of the HRM policies. In their attempt to assess the contribution of the HR function to the organisation's objectives, Tyson and Fell (1986) suggest that the performance of this function can be divided into three types (passive, reactive and proactive) as shown in Table 2.7:



**Table 2.7: The Characteristics of Different Types of HR Function**

Passive	Reactive	Proactive
<ul style="list-style-type: none"> <li>- Little discretion</li> <li>- Short-term planning</li> <li>- Gives service to junior line managers</li> <li>- Gives administrative support</li> <li>- Follows routines</li> <li>- Looks for leadership from fellow managers</li> </ul>	<ul style="list-style-type: none"> <li>- Some discretion, within limits</li> <li>- Medium-term planning</li> <li>- Gives service plus advice to middle management</li> <li>- Provides knowledge of systems and HRM/industrial relations practice</li> <li>- Follows systems and modifies to some extent</li> <li>- Gives leadership within existing structures</li> </ul>	<ul style="list-style-type: none"> <li>- High discretion</li> <li>- Long-term planning</li> <li>- Acts as consultant to senior managers</li> <li>- Conceptualised</li> <li>- Inventive and creative problem solver</li> <li>- Changes routines/systems as necessary</li> <li>- Copes rapidly with change and leads/participates with top management team</li> </ul>

Source: Tyson and Fell (1986: 23)

According to Tyson and Fell (1986), the passive type, representing the HR function as the 'clerk of works', tends to operate on issues such as welfare and other low-level administrative tasks, while the reactive type, the 'contracts manager', is a provider of legal and other bureaucratic services. The proactive type, or the 'architect' model, has the characteristics of an effective HR function in the current competing business environment. However, it should also be noted that the prescriptive assessment implicit in this typology may not be endorsed within an organisation. Some senior managers, for instance, may prefer the HR Department to be reactive.

For example, the architect model, as illustrated in the Table 2.8, suggests that the HR/personnel manager should regard herself/himself first of all as a business manager and then as an HR/personnel manager because this particular model seeks business opportunities to exploit through the people employed in the organisation. It is also a way of building career prospects for HR staff. This model of HR function seems to be compatible with the elements of HRM as discussed earlier.

**Table 2.8: The Architect Model**

<b>Policies</b>	Explicit policies giving effect to the corporate plan, concept of human resource planning.
<b>Planning</b>	View of tactical and strategic horizons.
<b>Authority</b>	Personnel presence at highest levels, people as 'business' resources.
<b>Control</b>	Personnel and line managers move toward extensive integration, decision taking obviates need for traditional idea of control
<b>Systems</b>	Tend to be sophisticated, proceduralised. Concepts of human resource planning, manpower information system extensive. Not focused on relationship.
<b>Personnel activities</b>	Personnel/HR manager sees himself/herself as a business manager; looks for business opportunities with maximum use of people skills available. Technically competent and skilled in diagnostic techniques.
<b>Personnel reporting</b>	To the chief executive.
<b>Personnel career path</b>	Both 'full-time' career professionals and a sufficiently high status function to attract line managers permanently or for a limited time.
<b>Political position</b>	Derives from contribution to the business and quality of that contribution. Able to coexist with equality at highest levels. Will have to engage colleagues in the political arena. Power breaking will be open. Conflict may also openly break out.

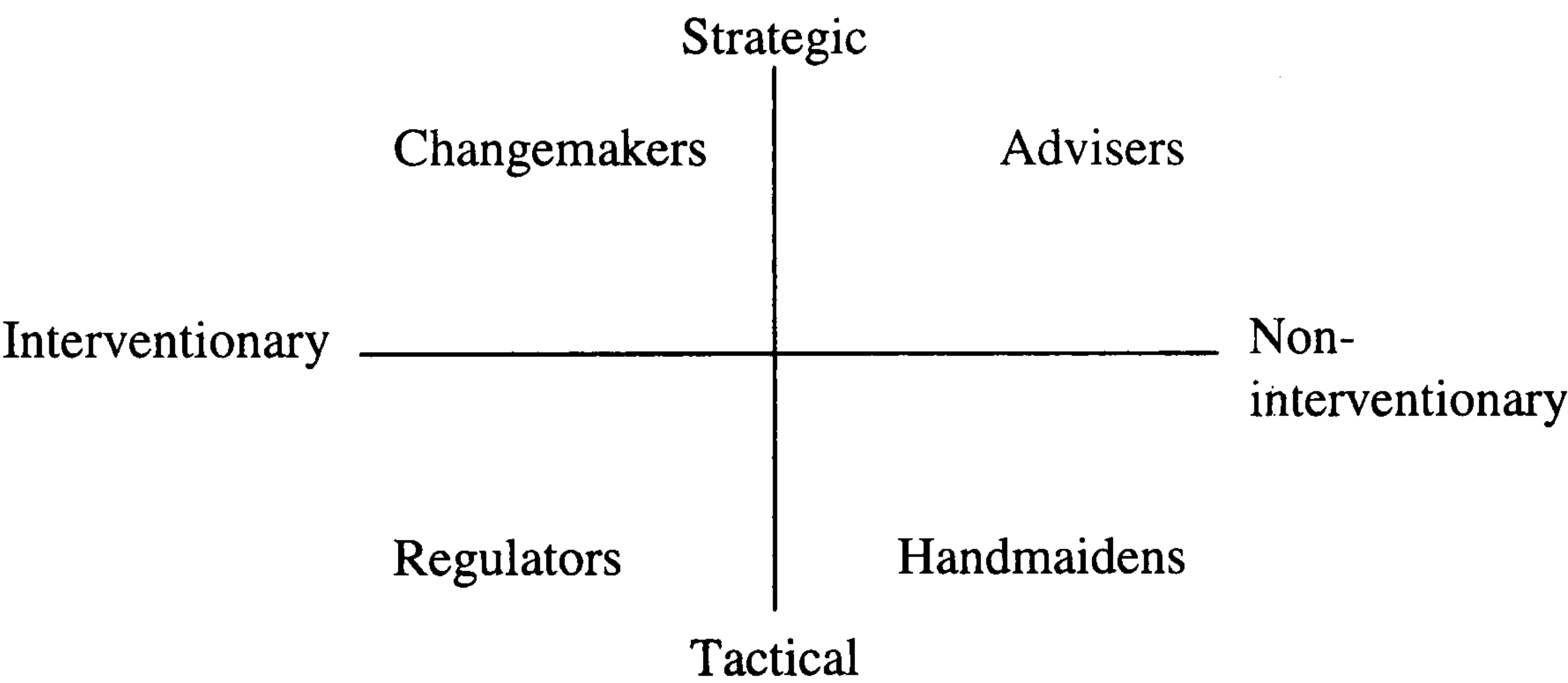
Source: Tyson and Fell (1986: 29).

In respect of Tyson and Fell's (1986) model itself, it seems that it falls into the category of the 'hard' HRM approach. The model stresses the importance of integrating the work of the HR manager and the line manager, and the HR and business strategies, but also explicitly emphasises the human as a business resource. The relationship among staff is neglected. The architect model perceives the HR function as just another means to exercise control over employees. It implies a top-down style of management, where managers take over all the relevant decision making. However, this model could also be given a 'softer' approach to promote the full utilisation of human resources in the organisation because this is in line with one of the core principles of soft HRM that emphasises employees' value and commitment/flexibility. However, this model also implicitly refers to the human resource as just one of the factors of production, rather than placing human resources at the strategic centre of the organisation's success. These contradictions highlight the considerable limitations of the architect model in explaining the dynamics of modern

HRM, though the typology is still useful as an indicator of some of the different ways in which the HR role may be defined and organised.

Storey (1992) offers another conceptual framework for analysing the role of the HR function in the organisation. He suggests that the various theories of the HR function point to a classification of four kinds of HR experts: changemakers, advisers, regulators and handmaidens. This classification is represented in Figure 2.3 as a two-by-two matrix whose axes are strategic/tactical and interventionary/non-interventionary.

Figure 2.3: Types of HR Function



Source: Storey (1992: 168)

The advisers' role involves a move from the stance of rule maker and custodian of procedure to a less assertive, advisory role by withdrawing physical presence from the everyday labour-management interface, conjuring the tone of the new relationship and figuring out the details of the increasing number of management-led initiatives. The term 'handmaidens' refers to a largely non-interventionary posture. The kind of



contribution made is now more of a service-provider at the behest of the line, by acting on 'customer requirements'. The term 'regulators' applies when the HR function is interventionary in the conduct of employment relations, but the interventions rarely involve engagement with the wider business strategy. The regulator, according to Storey (1992: 175-176), 'represents the classic industrial relations manager – responsible for devising, negotiating and defending the procedural and substantive rules which govern employment relations'.

The 'changemakers', in a way similar to the role highlighted in the architect model of Tyson and Fell (1986), '[are] the ones most in tune with the new human resource management initiatives' (Storey 1992: 169). In this respect, the HR/personnel specialist makes a highly proactive, interventionary and strategic contribution. The main tasks of changemakers involve integration of the different aspects of resourcing, planning, appraising, rewarding and developing, with the further integration of all of this into the business plan. However, either the 'changemaker' type or the Architect Model offers a way in which tensions and limitations within HRM could be dealt with. For example, the 'changemaker' type and the Architect Model both assume that HR function's tasks are to deal with placing human resources at a 'strategic' position of the organisation. However, these two models do not appreciate the fact that in reality, such 'strategic' position is varied in different organisations. It is also likely that implementing change in reality would face conflicts and confusions from employees.

The following section discusses the issue of organisational change. This issue is closely associated with the issue of HRM because the implementation of HRM

policies into new practices always places HRM in the context of actual process of organisational change. This 'change' always involves different and interesting dynamics and dilemmas. It can be said that, in other words, the model of organisational change is a tool that the present study needs in order to continue analysing prescriptive HRM in practice.

#### 2.2.6 Organisational Change Models

Faced with a rapidly changing and pressurising market, many organisations around the world have embarked on major change initiatives; and in particular changes in the organisation's employment relations system. The objectives may be classified into two major groups: (1) to challenge and evaluate existing strategies and practices in terms of their effectiveness, and (2) to improve the organisation's performance. The approaches organisations can use to implement change are varied, from business process reengineering to programmes of change in employment relations such as the HRM programme.

Well-developed organisational change models that incorporate human resource issues are seen in the works of Kochan and Dyer (1995) and Storey (1992). For the analysis of the case of the Bank of Thailand (BoT) in this study, both models of change are reviewed here to help our examination in later chapters. Firstly, in order for change to occur effectively, Kochan and Dyer (1995: 348) argue that there are four steps to be followed.

'First, it [the type of change model that is necessary to support diffusion of human resource innovations] starts with a clear

model of the generic principles or requirements that must be met.

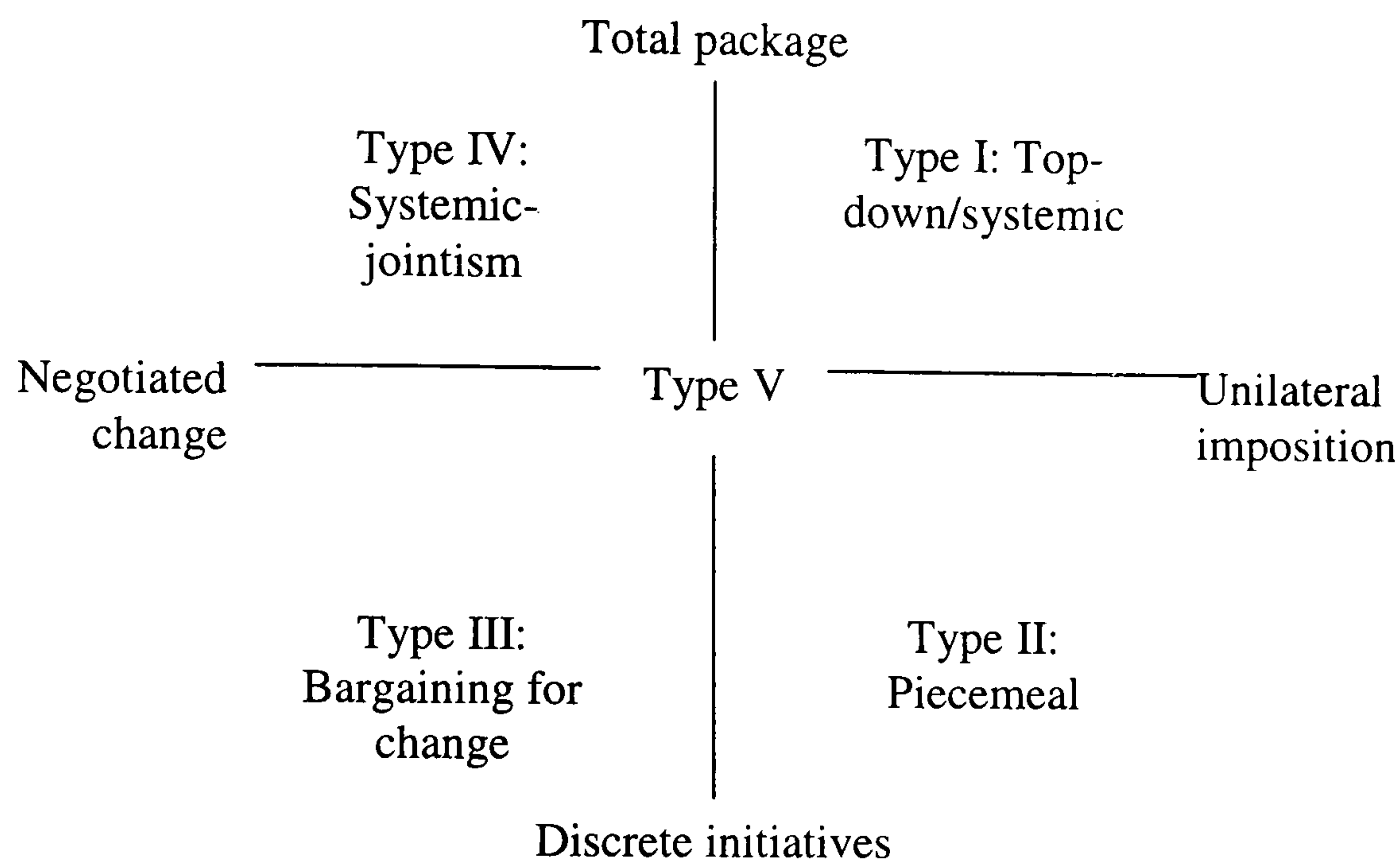
Second, it casts its vision internationally to discover world-class benchmarks. Third, it engages a broad coalition of human resource and labour advocates within and outside the firm in a network that works together to promote and diffuse innovations.

Fourth, it then provides the analytical data required to evaluate and disseminate the economic effects of the innovations.'

Although they usefully describe the normative approach to change, the authors fail to identify the different types of potential change that may occur. In other words, the above model, although providing a step-by-step analysis of change management, does not recognise the fact that in practice different situations are likely to occur in different organisations.

The study by Storey (1992) could fill the gap left by Kochan and Dyer's (1995) model. Storey suggests that change consists of two dimensions. First, change may range from being unilaterally devised by top management to being jointly devised through a multitude of intermediate positions including consultation and negotiation (unilateral imposition versus negotiated change). Secondly, change may, in varying degrees, be incrementally constructed or launched as a total package (discrete initiatives versus total package). (See Figure 2.4)



**Figure 2.4: Types of Managed-change Process**

Source: Storey (1992: 123).

Five types of change emerge from Storey's study of British and American firms. Type I, Top-down Systemic Change, includes major restructuring programmes such as the shift to strategic business units and HRM packages, which involve considerable interplay between their component parts. The strengths of this approach are that the organisation is able to follow the rules of project planning, a vision can be drawn, the contrasts between 'then' and 'now' can be identified, departmental and personal action plans can be constructed and their contents logically adjusted, a timetable can be established, and progress can be measured against milestones. However, the approach also has some weaknesses: the lack of participation in the programme design may lead to a lack of commitment to it, and lower level managers, supervisors and employees may feel little sense of ownership of the change programme. (In relation to our case study of the BoT, it is worth noting here that the change process involving the introduction of the HRM programme in the BoT has all the characteristics suggested in Type I. The characteristics of Type I also suggest a strong

unitarist ideology, a top-down approach. A key question here is how far the weaknesses of Type I are demonstrable in the BoT case.)

Type II, Piecemeal Initiatives, includes the introduction of new ways or forms of working in a 'piecemeal' fashion, for example the initiation of team-briefings by the team leader every morning to provide more effective communication among team members. The weakness of this approach is demonstrated when, for example, the popularity of present initiatives results in the credibility of future initiatives being eroded. Also, the piecemeal approach can also lead to inconsistencies and conflicts among different initiatives.

Type III, Bargaining for Change, involves certain working practices being secured from different groups in exchange for compensatory payments. However, in this respect, there is always a risk that targeted changes may not be linked in any coherent way with a broader human resource plan, and the new ways of working may not be followed through by different interest groups in the organisation.

Type IV, Systemic Jointism, refers to those situations in which a total package of change is put together in a negotiated manner among different interest groups in the organisation. The advantage is that the package may really reflect the problems and thus be able to improve organisational effectiveness. However, competing or conflicting interest groups do occur in the organisation, and this may result in a more time-consuming process for the change package to be introduced. Also, if some interest groups do not benefit from the change, or if they even lose their power, the change package is unlikely to receive full co-operation.

Finally, Type V refers to the method of change which is neither unilaterally imposed nor openly negotiated but exists somewhere along the continuum. At the same time, the change is not a total package nor a series of discrete initiatives, but occupies a point along that axis. Storey (1992: 142) suggests from his study that certain features are particularly associated with the Type V mode of change:

- The stark spelling out of what is not acceptable and some broad guidelines as to what is acceptable.
- Intense activity in 'management development'.
- Extensive use of consultants and 'facilitators'.
- Experimentation with organisational development-type exercises and techniques.

Therefore, in practice, the Type V mode of change is likely to occur more often than the other four types. When changes are introduced and everything seems to be confused and ambiguous, the organisation has to take into account all the four types of change (Types I-IV) in the Type V 'synthesis' in order to transform and adjust its structural and cultural elements effectively. However, on the other hand the Type V mode seems to be a rather problematical residual category: covering everything but also nothing in particular. The Type V, therefore, might be seen not as a coherent distinctive type of change but rather as the co-existence of aspects of the other four types. This fact highlights the limitations of the Type V model in explaining the dynamics of the organisational change process, though the typology is still useful as an indicator of some of the different ways in which the HRM policies may be implemented.



### *2.3 Conclusion*

This Chapter's selective review of the literature on HRM has shown that among the HRM models themselves there are important differences. The analysis in this Chapter has focused on two core distinctions: the hard versus soft models, and the development from the straightforward universalist model to the sophisticated and complex model of strategic choices. The discussion in this Chapter has also shown that certain critical issues relating to HRM have emerged in the literature as a basis for designing an analytical framework that can be applied in the present study.

This Chapter aims to provide key and relevant references for the study of HRM and to demonstrate and develop the conceptual framework of the present thesis. It offers an alternative perspective on the issue of HRM. Instead of following the elements of HRM as suggested in HRM models, this study concentrates on the fact that HRM still has weaknesses and limitations, especially in its unitarist character and in relation to corporate culture. In addition, institutional features within the organisation, such as the issues concerning power relations and existing norms and values, are also important when one wants to make a critical assessment of HRM. Therefore, the analytical framework for this present study is taken from key themes discussed in this Chapter (see Figure 2.5):

Figure 2.5: The Present Study’s Analytical Framework

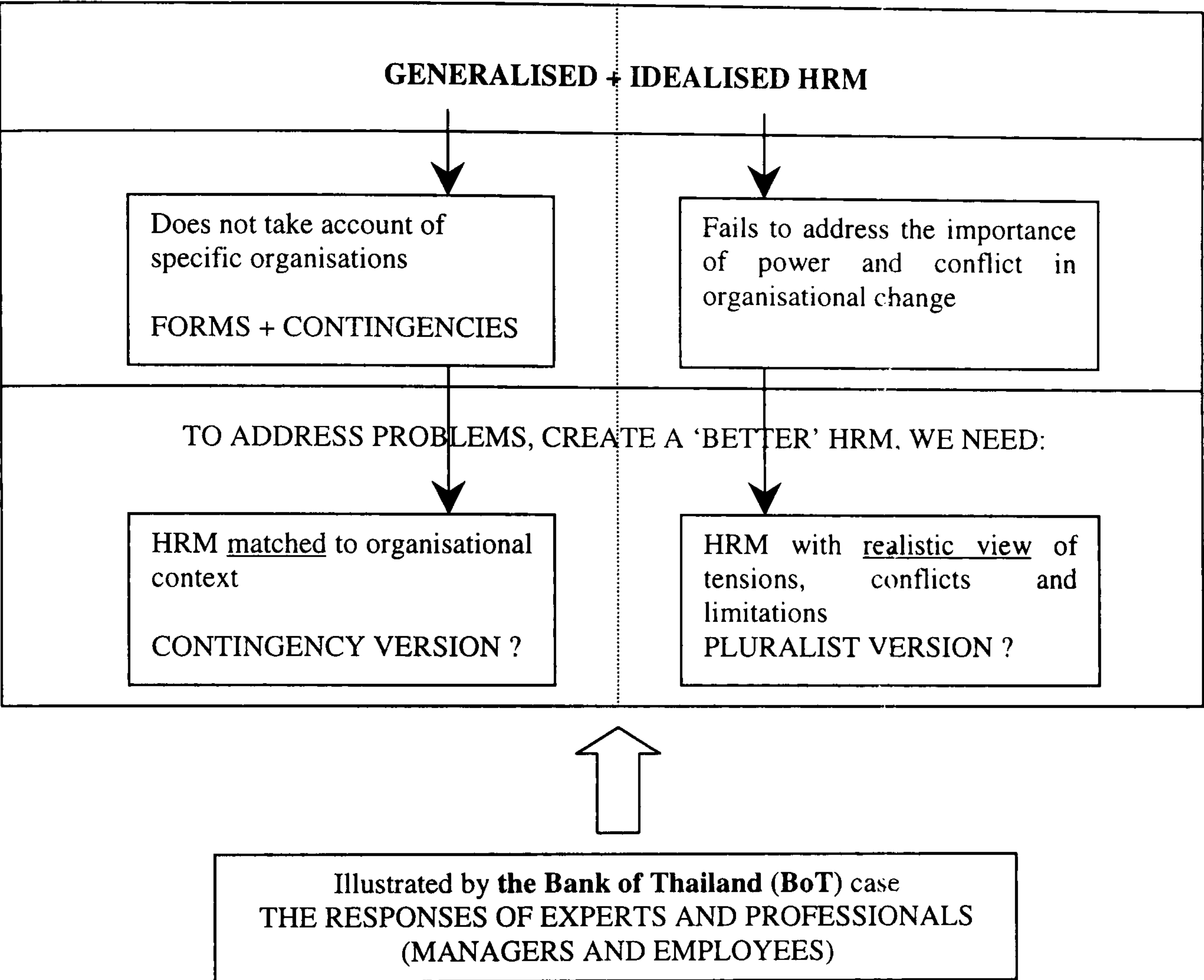


Figure 2.5 indicates the themes of weaknesses and limitations of HRM in practice by using our case study, the BoT, to explore these themes. First, as shown in the left panel of the Figure 2.5, this study argues that the ‘generalised’ HRM does not take account of specific conditions within the organisation: it tends to apply a similar straightforward model to any organisation. In this respect, HRM should take account of different forms and contingencies within the organisation. Therefore, there is a need for an HRM model that matches with organisational context. At the same time, as presented in the right panel in the Figure 2.5, the ‘idealised’ HRM fails to address the issues such as power relations and conflict in the process of organisational change. The sophisticated and idealised outcomes of HRM are likely to be obstructed by

several relevant factors that were neglected by the HRM programme. HRM's unitarist ideology tends to overlook different kinds of barriers and obstructions within the organisation, for example existing norms, values, institutions and powerful groups within the organisation. Therefore, there is also a need for HRM to take account of the realistic and pluralistic view of tensions, conflicts and limitations in its practice.

The above analytical framework will provide the basis for further discussion in the chapters which follow. In the next Chapter, where the research methodologies will be presented, it will be shown that the research design process aimed to address and investigate elements in the study's analytical framework. The development of HRM in Thailand will be presented in Chapter 4. Chapters 5-8, which present the empirical results of this research, are also intended to provide further investigations and answers in relation to this study's analytical framework.



## Chapter 3

### RESEARCH DESIGN AND METHODS

This Chapter explains the process of research design and the methods employed in the present study. It starts by identifying the reasons for adopting a qualitative case-study research approach, with some elements of action research, then discusses details of the research process at the Bank of Thailand (BoT) before finally concentrating on the process of data analysis.

The research design process was based on the analytical framework of the study (presented in Chapter 2), attempting to investigate the scope and limitations of human resource management (HRM) in the BoT. The researcher worked in the BoT for 14 months and thus had an opportunity to gain valuable data and information during this time. The research methods used included: interviews, participant observation, documentary analysis and actual work experience. Some interviews were formal, arranged by appointment with relevant interviewees, and others were based on informal 'chats' with members of staff. Participant observation was used throughout the course of the research fieldwork. In particular, the researcher had the opportunity to participate in a number of meetings. Various relevant documents, such as internal newsletters, were also collected for analysis. Actual work experience at the research site gave the researcher a strong basis for an in-depth analysis of the BoT's employment relations.

It is crucial to stress here again that, as discussed in Chapter 2 the views of the BoT's members of staff are emphasised in this research as one of the most reliable sources of

information about the process of changing employment relations toward the introduction of an HRM programme. This is particularly relevant because the BoT is a non-profit public organisation so that the impact from any new programme or initiative is extremely difficult to measure in quantitative terms (for example by measuring an increase or decrease in profit). As Marsden and French (1998) suggest in their study of British public sector organisations, employees' views and managers' judgements can be used in such organisations because these individuals have been affected directly by the new system. Therefore, this present study also relies on the judgements of the employees and managers in trying to analyse the HRM programme in the BoT. However, such an approach can be criticised for being based on the subjective assessment of informants and in this respect biased. Therefore, the other three research methods, participant observation, documentary analysis and actual work experience, are also used to supplement the reliance on formal and informal interviews.

All four research methods employed in this study contribute in their own way to the collection of data for this thesis. For example, the analysis of the characteristics of the BoT's employment relations before the reform, which will be considered in Chapter 5, uses data from interviews (with some members of staff who were employed by the Bank prior to the 1997 Asian financial crisis) as well as data from the official report on the Analysis and Evaluation of Facts behind Thailand's Financial Crisis (AEFTFC) (1999). The researcher's experience in working with some veteran members of staff at the Bank, for example participating in a number of meetings and work projects with such staff, also provided a picture of how the Bank's employment relations operated before the reform. Therefore, it can be seen that in each element of

the analytical framework, more than one research method was used to gather relevant data and information. This strategy was intended to enhance the overall validity of the research.

The Chapter is organised as follow. First, a discussion of the qualitative research approach will be provided, with some of its advantages and disadvantages for this study. Secondly, as this study can be characterised as a qualitative research investigation in the form of a case-study approach, a discussion of the case study method will also be provided. Thirdly, different phases of research fieldwork in the BoT will be presented. Fourthly, strategies for data collection will be discussed. This includes a discussion of the use of semi-structured interviews, participant observation and documentary analysis. The fifth section will discuss how the data in this study is analysed. Finally, a conclusion will be offered.

### *3.1 A Qualitative Approach*

The present study is an exploration of the changing approach to employment relations, involving a shift toward the introduction of a new HRM programme, in the BoT. In particular, there is an emphasis on the scope and limitations to such a new HRM programme. This involves examining the ways in which a new management strategy (for human resources) was devised, implemented and experienced in practice by managers as well as employees. As a scholar, it is crucial to develop a critical and investigative approach to these issues. There is a need for a reflective appraisal of management's human resource strategy, with attention to its tensions, limitations and scope for improvement. This appraisal needs to be based on the distinctive views and



experiences, individual and collective, of different actors involved in the BoT, such as managers, employees, and the external consultant.

Accordingly, the present study is based on a qualitative research methodology. This is partly because, as discussed earlier, in a non-profit public organisation such as the BoT, impact and effectiveness are difficult to measure in quantitative terms. A positive impact, for example, in a private profit-seeking company might be measured through the increase of profit. However, this is not the case for a public organisation such as the BoT. This means that in a case such as the BoT case, it is difficult to apply quantitative indicators. At the same time, as discussed in Chapter 2 about the ambiguous link between the HRM programme and organisational and individual performance, it also seems inappropriate to simply apply quantitative indicators to assess the impact of the new HRM programme on the BoT's and staff's performance.

Furthermore, the qualitative approach allows the researcher to explore and investigate the issues concerned from the 'inside', paying due attention to the perceptions of key 'actors' involved in the processes under scrutiny. By attempting to capture data on the perceptions of 'actors' through a process of careful attentiveness, empathetic understanding, and the suspension or bracketing of the researcher's own preconceptions about the topics under discussion, qualitative research allows a researcher to explicate the ways people in particular settings come to understand, account for, take action and manage their actions (Miles and Huberman, 1994). It means that the qualitative approach allows the researcher to address the actual processes of change in a specific case. This includes the richness and details of qualitative data in analysing and presenting the issue under investigation.

In addition, according to Lincoln and Guba (1985) and Patton (1990), sometimes qualitative research also approaches the investigation with minimum intervention in the study setting in order to allow the qualitative data to emerge more naturally and without modification by the observer. Not only that, as also experienced by the researcher of this study himself during the course of the research, the qualitative research approach also allows the researcher to relate different aspects of the setting and context of the BoT (the case study) to one another.

Therefore, in particular, the qualitative approach has several following advantages in relation to the present study. First, the theoretical framework employed here is based on a cross-cultural analysis drawing on Western concepts and perspectives that are applied to a Thai organisation. Therefore, the study is culturally constructed through individual and collective interactions. There are no quantitative terms or measurements that can be explored in this kind of study. Secondly, the focus of the research is on a critique of the new HRM programme in the BoT, an organisation where it is very difficult to apply quantitative measurement. The BoT itself also does not have assessment tool in terms of the impact of its new HRM programme. Finally, the study seeks to identify the tensions and limitations within the new HRM programme, and the relationships between the human resource strategy and the attitudes and behaviour of management and employees, in particular in terms of employees' and managers' responses to such a programme. Thus it aims not only to capture subjective data on the perceptions of the research participants ('actors'), but also to gain an integrated overview of the organisational context in which the participants are working and practising. The role of another external actor involved in

this case, namely the external consultant, can also be analysed more easily by using the qualitative research method.

However, the present research is also aware that there are some contradictions in the qualitative approach. These contradictions are clearly illustrated by Miles and Huberman (1994). First, no standardised instrumentation is used as a research tool. The researcher is essentially the main measurement device in the study. This means that the interpretation and validity of data are based solely on the researcher's perspective, which might be biased. Secondly, most analysis of qualitative data is expressed in words, which have to be assembled, subclustered or broken down into segments. In performing these tasks, the researcher must be careful not to distort the situation being analysed. Thirdly, although qualitative research is conducted within a theoretical framework, it must also allow for unanticipated findings which may even alter the course of the study. This is in contrast to a quantitative approach, where the theoretical concept can be operationalised, thereby producing rather more consistency of the data. Finally, quantitative data are generally easier to analyse and interpret. There are a number of techniques, such as various statistical sampling methods, that allow the quantitative approach to generalise the overall trend and pattern of data more easily than a qualitative approach can do.

### *3.2 Case Study Research*

This study can be characterised as a qualitative research investigation in the form of a case-study approach. This is because, first, this study uses the BoT case to illustrate the tensions and limitations within HRM, and, secondly, the researcher was actually employed on a contractual basis by the organisation (the BoT) under investigation and



was involved in establishing and implementing the organisation's new HRM programme. The use of the case-study method in this research is appropriate because the configuration and context of social relations and social processes are critical. This means that in order to understand the tensions and limitations involved in the new HRM programme, the relationships and responses among and within different groups in the BoT need to be explored. The challenge facing the researcher is to re-think, criticise and re-evaluate the processes in which he himself was a participant both to gain a further understanding of the scope and limit of the HRM and in order to suggest concrete ways of improving the BoT's employment relations policy.

Cosley and Lury (1987: 65) provide a summary of the main characteristics of the case study approach:

‘The case study uses a mixture of methods: personal observation, which for some periods or events may develop into participation; the use of informants for current and historical data; straightforward interviewing; and the tracing and study of relevant documents and records from local and central government, travellers, etc.’

Thus, a case study allows one aspect of a problem to be explored in depth over a period of time and normally with observation and interview as the key research tools. As Bell (1993) observes, the case study is concerned with the interactions between factors and events in a particular context of study by providing a three-dimensional picture: relationships, micro-political issues and patterns of influences. In other

words, the case study concentrates on a specific instance or situation and attempts to identify the various social processes at work.

The advantages of using the case study method are numerous. Internal divisions, tensions, and conflicts over what is going on 'in' the case can be identified and understood in rich detail through the use of case study. In addition, although one might argue that a focus on internal developments and events within one particular organisation in one particular sector of the economy in one country cannot easily be generalised to broader questions and other organisations in the same country or other countries, nevertheless the relative boundedness of the case study method does not mean isolation or autonomy. One particular case study might be able to clarify and link the issue under investigation to broader circumstances, for example in the role of the foreign investors in relation to the management of human resources.

In fact, the case study method represents a major strand of social research. Though it sometimes utilises quantitative data as part of its material, the case study method is seen mainly as a form of qualitative research. This method usually involves an emphasis on the internal texture and dynamics of social relations in one or a small number of cases. The focus of the case study is upon understanding the way in which the social relations within the selected organisation are interrelated, and on the social processes which characterise this configuration of social relations. This broad style of case study has been used to investigate a wide range of scales of social life, from the national level (for example Dore, 1973) to the family and workplace (for example Westwood, 1984), to gender issues in different workplaces in different industries (for example Halford et al., 1997).

There has been considerable debate about the relationship between case study analysis and theoretical argument. Stake (1998) argues that case study research can reveal the detailed dynamics of a particular case, but the instrumental, theory-driven, interrogation of the data risks distorting the case. Others have developed a more positive assessment of the relation of 'theory' to the case study method. First, following the 'grounded theory' approach (for example Easterby-Smith et al., 1991), theoretical ideas can be developed out of a particular case study concerning the issue under investigation. Secondly, the 'theory-driven' selection and analysis of the case study, although it can be distorted if misused, can also provide opportunities to test and refine theoretical arguments (for example Walton, 1992). This is in line with the present study, which seeks to test its theoretical argument concerning the tensions and limitations within HRM programme by using the BoT case as a particular example, but also uses the case to develop a more inductive account of the implications of deploying HRM policies in the context of Thai society.

### *3.3 Phases of the Research Fieldwork*

The initial focus of the research for this thesis was intended to be the development and role of the Thai labour movement and its relationship to wider economic and political changes in Thailand. However, preliminary research established the limited historical development and role of Thai trade unions (features discussed further in Chapter 4) and the focus shifted to changes in present day employment relations and the possibility of conducting a case-study of contemporary developments<sup>1</sup>. The shift

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<sup>1</sup> This initial work occupied much of the first year of Ph.D. study, so that the case-study and analysis of HRM at the BoT was completed in the following years.



of focus was reinforced once the researcher gained access to the BoT to work and to conduct research.

The researcher of this study started his research in the BoT with an attempt to explore the concept of unionism and its applicability to the BoT. However, the sense of unionism and collectivism were not strong among Thai white-collar workers, and they were especially weak among the BoT's employees. There was an employees' association in the BoT but it had not been associated with the decision-making level of the organisation, for example it was not involved in any negotiations concerning pay and working conditions. And more particularly, due to an interest in understanding contemporary changes within the Bank, the researcher shifted the focus of the research from unionism to the reform of the BoT's employment relations system and the introduction of a new HRM programme, including employees' and managers' responses to such reform.

The researcher discovered in mid-1999 that the BoT wanted a trainee in its HR department. Therefore, after considering this possibility and consulting with his supervisor, he applied for the post and was successful, thereby gaining access to BoT's internal working environment. This gave him a golden opportunity to become an 'insider' prior to the beginning of the data collection period. This enabled him to form a good working relationship with a number of the Bank's employees, whose help and support proved to be invaluable in terms of data collection. This also saved the researcher a considerable amount of time and effort in obtaining relevant data.

It is also important to note here that, in addition to being a case study, this study also embraces certain elements of the action research approach, because the researcher himself was involved in the process of changing employment relations in the BoT, which is the issue under investigation. The researcher was involved in the process of establishing and implementing the BoT's new human resource policies. At the same time, the researcher sought to step outside the implementation role in order to follow a less interventionist form of participant observation. However, this study does not adopt a full-scale action research perspective because not all the characteristics of action research can be applied to this study. Only certain elements of action research are applicable to the present study. Consider the following definition of action research from Kemmis (1988: 42):

'Action research is a form of self-reflective enquiry undertaken by participants in social (including educational) situations in order to improve the rationality and justice of (a) their own social or educational practices, (b) their understanding of these practices and (c) the situations in which the practices are carried out. It is most rationally empowering when undertaken by participants collaboratively, though it is often undertaken by individuals, and sometimes in cooperation with outsiders.'

According to the above definition of action research, this approach has several advantages for the present study. For example, because of the involvement of the present researcher in the research site, he was able to access a considerable amount of useful information and draw on his own personal experience and understanding. Also, in such circumstances the researcher was able to directly criticise and evaluate the

processes concerned since he was aware of the impact of those processes at first hand through both formal methods of interview and observation and through informal methods such as everyday encounters and conversation in the organisation. Because the researcher was an 'insider', he was in a better position than an 'outsider' to gain the co-operation of other actors in the organisation. At the same time, because he was a researcher he can appreciate the need to step back and reflect critically on the ongoing organisational processes.

However, according to the above quotation from Kemmis (1988), certain elements of action research, such as the ability to improve the rationality of various practices, are not the main priority of this present study. It is true that this research, to some extent, can provide some ideas about how to improve employment relations in an organisation like the BoT. However, the main aim of this research is to critically analyse the new HRM programme of the BoT. We must therefore bear in mind that there is a major difference between policy formulation and recommendation, which is one of the aims of action research, and an analytical and critical study from an academic point of view, such as the present study.

For example, if we consider the following characteristics of action research, as explained by Hart and Bond (1995), it can be seen that several characteristics of action research are not applicable to the characteristics of the present study. Hart and Bond (1995: 37-38) sum up the key characteristics of action research. They suggest that action research:

- is educative;
- deals with individuals as members of social groups;



- is problem-focused, context-specific and future-oriented;
- involves a change intervention;
- aims at improvement and involvement;
- involves a cyclical process in which research, action and evaluation are interlinked; and
- is founded on a research relationship in which those involved are participants in the change process.

First, the present study does not aim at improvement and involvement. It aims at critically analysing the programme of HRM in the BoT. The Bank may subsequently use this study to improve its employment relations, but this is not the main priority.

Secondly, in this study, research, action and evaluation are not interlinked. As stated in Chapter 2, this study does not aim to identify and assess the 'international best practices' of HRM. Rather, this study aims to analyse the actual implementation of HRM in a specific social context, so as to understand the scope and limitations of such policies and the ways in which these features are influenced by the specific societal and organisational context. In the spirit of action research, however, the study does involve change intervention and it is also founded on a research relationship with those involved as participants in the change process.

Given the nature and scope of the present research, the aim was to investigate the development of management HRM policies and the consequent attitudes and behaviour of employees of the BoT, including both managerial and non-managerial staff. Data collection was conducted between December 1999 and February 2001. The fieldwork at the BoT can be divided into three distinct periods.

The first period, 1 December 1999 to 30 April 2000, was a period of exploration of key issues at the BoT. The researcher began his research by working as a trainee in the HR Department. He began by investigating the structure and operation of employment relations, and in particular sought to define the major characteristics of the BoT as a non-unionised organisation and to explore how the BoT seeks to promote the welfare of its employees.

Trade unionism (in the sense of a collective voice for employees and collective bargaining rights) has not been developed at the BoT because Thai law does not allow the BoT's employees to organise as a labour union, and also, in general, unionism is not strong among Thai white-collar workers. In addition, although there is a formal BoT employees' association, it is not regarded in law as a labour union and has no participant role in any BoT welfare or decision-making system. Accordingly, the concept of 'unionism' is difficult to apply in the case of the BoT and is unlikely to furnish a basis for productive analysis. Instead, the researcher began to consider the range of attitudes and responses of employees to the development of new HRM policies at the Bank.

After Thailand's financial crisis began in 1997, the new management of the BoT decided to introduce a number of radical changes in the bank's operations, including the reform of its employment relations system by introducing an HRM programme, which involved several tasks such as the development of new human resource policies and the cultural change initiatives. Therefore, a number of 'international best practices' were introduced with the support of external consultant companies.

However, employees' concerns over such reform quickly became apparent. In the initial phase of research, the researcher was able to gain an appreciation of the significance of these issues for employment relations within the BoT.

In addition, during this first period the researcher also established both working and personal connections with the BoT's staff. As a trainee and then assistant to the Corporate HR Adviser, the researcher did not always enjoy the full cooperation of colleagues with his research work. It took quite a long time for the BoT's officials to reveal their true feelings concerning their work. This seemed to be due to a strong awareness by officials of a distinction between organisational 'outsiders' and 'insiders'. Later, the researcher's relationship with the Corporate HR Adviser, a position acting as the Bank's HR director, helped the researcher to gain the 'insider' status. This is because being an assistant to the Bank's Corporate HR Advisor was seen as the researcher now had become one of the Bank's members of staff. In addition, it was not confidential that the researcher, while working for the Bank, was also collecting data and information for his Ph.D. research at the same time; and the researcher had made this clear from the start of his time at the Bank with several of the HR Department's managers. When the researcher was well-acquainted with the Bank's managers and members of staff through the course of his work, everyone, including managers and non-executive staff, gave a considerable amount of assistance to the researcher in terms of his own research, for example in terms of suggestions as well as making contact with prospective interviewees on the researcher's behalf. The researcher believes that this was because the researcher had become one member of the 'BoT family' (see discussion about 'family atmosphere' in the BoT in Chapter 5). It was suggested that the role of 'researcher' was not seen as important as the role of



being a Bank employee. Although some line managers, when they knew that the researcher was pursuing his own study, asked about the details of the study and seemed reluctant to give an interview until complete confidentiality was assured.

The second period, from 1 May 2000 to 31 December 2000, was devoted to data collection. Having determined the direction of the thesis, apart from the collection of various documents, the strategies of semi-structured interview and participant observation were chosen to gather data. Participant observation was performed by various means, most importantly through the researcher's work experience with the Bank. The researcher had many opportunities to participate in meetings: from informal meetings among junior officers to formal meetings of the BoT's Human Resource Committee chaired by the Governor. In all there were more than 30 meetings, about half of them involving high-ranking executives (Assistant Governor and above) of the BoT. At these meetings, the researcher made notes on everything that seemed to be relevant to the concerns of the thesis in the researcher's diary. In addition, during office-hours and even during breaks and in out-of-work time, the researcher was able to discuss research-related matters with the BoT's officials, both executives and non-executives. This led to the gathering of much useful information and data, and many suggestions for further research. The researcher always made notes of such contributions. In addition, the researcher interviewed several BoT officials on the basis of a guarantee of anonymity. The interview questions focused mainly on changes in the BoT's pattern of work and HRM initiatives, as well as on how the interviewees had responded to such changes. Also, a number of written documents from the BoT were collected. The combination of all three different

methods allows triangulation of the data for the research and thus should provide a more reliable and in-depth account than using a single method

The last period, from 1 January to 16 February 2001, was devoted to reviewing all the gathered data and information and summing up the main points of interest. Also, some more informal interviews were carried out to clarify remaining questions and further relevant written documents were selected and added to the researcher's collection.

### *3.4 Strategies for Data Collection*

#### *3.4.1 Semi-structured Interviews*

As Blaxter et al. (1996) suggest, the research interview allows the researcher to question particular persons and discuss key issues with them in more depth than is possible with any other research technique. Most importantly, it allows the researcher to acquire 'inside' information from people, including their own subjective views about their experience and the impact of organisational structures and processes.

At one extreme, the interview may be tightly structured, with a set of questions requiring specific answers, or it may be open-ended, taking the form of more or less spontaneous discussion (Blaxter et al., 1996). In the case of the present study, the semi-structured interview was chosen: a set of initial, structured questions were first used (See Appendix 2) and then the conversation was allowed to continue according to the interviewee's inclination, although the interviewer tried to ensure that the

discussion did not wander away from the key research issues that were under investigation.

In order to establish a clear focus on the initial broad questions, the researcher employed the interview guide approach (Patton, 1990), according to which key issues were decided in advance and the interviewer decided what sequences and wordings would be used in the course of the structured part of the interview. This allowed both the interviewer and the interviewees to remain focused on the direction and scope of the discussion. It also facilitated comparisons across interview cases.

Based on the suggestions of Maykut and Morehouse (1994: 84) and the analytical framework of this study, Table 3.1 presents the stages used in the development of the interview guide for this study.

**Table 3.1: The Development of the Interview Guide**

<b>Step 1: Identify focus of inquiry</b> To understand the perceptions of BoT's staff toward changes in the organisation's employment relations and the new HRM programme
<b>Step 2: Identify key subject matters that are needed to fulfil the focus of the inquiry</b> 1) Characteristics of BoT's employment relations before the reform 2) Characteristics of the new HRM programme 3) Participants' responses to the new HRM programme
<b>Step 3: Specify which subjects of inquiry to include in the interview</b> 1) What were the characteristics of employment relations in the past? 2) What are the characteristics of the new HRM programme? 3) What are the differences? 4) Interviewees' feelings toward such changes
<b>Step 4: Develop a pool of broad open-ended questions for each subject of inquiry</b>
<b>Step 5: Select and sequence questions within each selected subject into a useful order</b>

Source: adapted from Maykut and Morehouse (1994: 84)

The semi-structured interview technique employed in the present study has both advantages and disadvantages. The main advantage is that interviewees are allowed to answer from their own frame of reference (Seidman, 1991) and this is likely to



produce a rich stream of data and to open up further issues for consideration which may have been excluded from the original interview guide. Moreover, the casual and relaxed atmosphere of the interview, encouraged by the interviewer's effort to be a good listener, means that interviewees would normally be willing to express their own views. On the other hand, the semi-structured interview also presents some disadvantages. First, the open-ended questions sometimes lead to the interviewees providing interesting but non-relevant information. Therefore, secondly, the data from open-ended interviews can be difficult to analyse because there is likely to be a considerable variation in the contents of interviews. This can even happen with the structured part of the interviews.

The question of whether to record interviews is also important. The original intention was to use an audio tape recorder in all interviews, with the permission of the interviewees. Using a tape recorder, as Blaxter et al. (1996) suggest, means that the interviewer can concentrate on the process of interviewing instead of having to take extensive notes. The researcher can thus engage in appropriate eye contact and non-verbal communication in order to develop the role of a good listener. However, in the case of this study, it became clear that some interviewees were anxious about the use of a tape recorder, and a few of them withheld their permission. In these cases, the researcher had to use the note-taking technique and concentrate on the key points. This meant that the interviewer could not concentrate on asking questions and developing a genuine dialogue. On the other hand, where it was possible to use a tape recorder, the problem arose of having to transcribe and analyse the discussions. This proved to be a time-consuming process.

The interview process consisted of three phases: preparation of the interview guide, identifying potential informants and the interviewing itself. The selection of interviewees was based on purposeful sampling: choosing the participants which are likely to be informative in relation to the study topic. As McMillan and Schumacher (1989) suggest, this method ensures that interviewees are likely to be knowledgeable and informative about the phenomena under investigating. On the basis of an examination of the BoT's organisational structure, all the interviewees were carefully chosen to include all major functions horizontally (different departments) and all ranks vertically, including executive and non-executive members of staff.

For the purpose of the study, 20 participants were selected and interviewed (for formal interview), of whom 13 participants were females. Because of the promise of anonymity and confidentiality, the interviewees' names and positions cannot be published. However, it can be stated that two participants were from the level of high-ranking executives (Assistant Governor or above), who were directly responsible for the Bank's employment relations. Twelve were managers, from both 'line' (finance and economic departments) and 'staff' (other support and administrative departments) departments. Three were also six non-executive staff members, ranging from professional staff, such as an economist, to operational staff, such as secretary and typist (the number of non-executive staff members that were interviewed formally was smaller than the number of executive staff members because non-executive staff's attitudes and perceptions were gathered mainly from informal interview and observation techniques). This number of formal interviewees was determined by considerations of manageability and sufficiency. This size of sample was regarded as adequate because it allowed coverage of all organisational ranks from the top

management to operational officers in different departments, and because informal interview, participant observation and documentary analysis provided additional checks on the information gathered. Gender was not considered so important as participant's position and department. There were also additional numerous informal interviews, both with executives and non-executives, through the form of informal 'chats' during the researcher's time in the BoT, and these added important knowledge, ideas and perceptions to the data.

In arranging interviews with staff from the HR Department, there were no major problems because the researcher had already had opportunities to meet and work with these people. However, in arranging interviews with managerial and non-managerial staff outside the HR Department, it was not quite so simple. Therefore, the researcher asked for the assistance of some executives in the HR Department, and this proved to be a valuable and time-saving procedure. After the researcher had made a list of prospective interviewees, the executives helped to make appointments with all the interviewees on the researcher's behalf.

The face-to-face, semi-structured interviews were conducted according to the pre-designed interview guide. The researcher normally began the interview by stating the aim and objectives of the study, but in some cases the interviewees themselves raised this issue. Usually, the researcher followed the interview guide fairly closely, but sometimes it was clear that the interviewee had something relevant and interesting to say even though it was not in line with the interview guide. When this happened, the researcher allowed the interviewee to carry on. If it was obvious that the interviewee was moving away from the key issues and dealing with matters that were not relevant,



the researcher moved the discussion on to the next stage of the interview guide. Where interviewees gave their permission, a tape recorder was used. In other cases, the researcher relied on note-taking. On average the formal interviews lasted for between 30 and 45 minutes each, but the shortest was about 15 minutes and the longest was more than two hours.

Despite the use of an interview guide, the actual interviews developed in a way that was highly responsive to individual differences. Questions were constantly refined and re-ordered to match the participants' interests, their roles in the organisation, their work experiences and their personal backgrounds. In particular, in interviews with highly experienced participants, the interview guide served as a checklist of questions to be asked. The emphasis was on encouraging a conversational atmosphere in order to allow a free-flowing dialogue between the researcher and the interviewee.

#### 3.4.2 The Participant Observation Method

Bell (1993) suggests that there are two types of observation technique: participant and non-participant. Lacey (1976: 65) defines participant observation as 'the transfer of the whole person into an imaginative and emotional experience in which the fieldworker learns'. Blaxter et al. (1996: 159) agree that there are two types of observation; but their emphasis is on how the researcher approaches and focuses on the events being studied:

'At one extreme, ... the researcher's focus is on a limited number of specific events, and with noting or measuring participants' responses to certain stimuli... At another, ... the

observer is a key and active participant in the events being studied...'

The latter situation represents the focus of this study. The researcher was one of the key and active participants in the BoT's introduction of new HRM programme. One of the other characteristics of participant observation, as Bell (1993) points out, is that most studies of this kind are unstructured. The observation technique normally starts with no preconceived ideas about precisely what to observe. Thus the technique allows flexibility and offers the opportunity to gather very detailed data.

The researcher began his work at the BoT as a trainee in the HR Department, and later as an assistant to the BoT's Corporate HR Adviser. He thus had many opportunities to involve himself in the bank's activities related to the introduction of new HRM programme. As Easterby-Smith et al. (1991) suggest, the participant observer can use several specific methods, observing, participating, talking, checking understanding and making interpretation, to share and understand the situations and processes being studied. The researcher sought to utilise the whole range of strategies in investigating the BoT's efforts to introduce its new human resource policies and practices.

The researcher also found that the technique of participant observation was mutually supportive with informal interview technique. This was because, apart from observation in the researcher's working life, there were many opportunities for informal discussions with colleagues during out-of-work time and in everyday conversation. Most colleagues proved to be very helpful. They provided additional information and also made suggestions for carrying out the research. As Easterby-

Smith et al. (1991) state, although a researcher is an employee of the organisation being studied, it cannot be guaranteed that he or she will be able to gain access to the necessary organisational information. But in this case, the researcher was extremely fortunate to gain a very positive response. For example, the BoT's employment relations reform project included a number of meetings, ranging from meetings with the Bank's executives to meetings among working staff. By participating in these meetings, the researcher was able to observe and informally discuss with other staff members to gain an in-depth knowledge of the perceptions of the BoT's staff and thus formed an understanding of the rationale and practicality of the BoT's new HRM programme.

However, participant observation also has some disadvantages. First, as Blaxter et al. (1996) emphasise, it is a very time-consuming process. The present researcher spent almost 14 months at the research site (the BoT). Although this proved to be an advantage for the observation process, the researcher had to simultaneously act as a member of staff and a researcher at the same time. This meant that a considerable amount of workload was the researcher's responsibility. However, the HRM reform project took several months, and therefore the researcher would not have been able to observe the whole project if he had stayed at the BoT for a shorter period. By comparison, the formal interviews were all completed within a few weeks.

Secondly, the collection, interpretation and analysis of data from participant observation are difficult because the data are not yet categorised. Data from interview, to some extent, may be categorised under each interview question, while the data from participant observation always come simultaneously and through various means.



For example, the researcher experienced a situation during a meeting when, while the agenda of the meeting was interesting and the researcher had to take note about it, the informal chat between staff about such agenda also gave useful commentary. In this case, the researcher had to take note of one issue while trying to memorise the commentary about that issue. Also, some of the data from observation may not be particularly relevant. Blaxter et al. (1996) therefore suggest the need for pre-categorising and pre-structuring the observation. However, this may lead to a loss of detail and flexibility.

Thirdly, as Cohen and Manion (1989) state, participant observation can be criticised for being subjective and biased. The situations observed are likely to be perceived and interpreted in line with the observer's own background and frame of reference. In addition, the familiarity that a participant observer develops within an organisation may lead her/him to overlook aspects of behaviour which would be immediately apparent to a non-participant observer. In the case of the present study, the researcher was involved as one of the BoT's staff but had to take care to stand back and look at the evidence critically. Therefore, as far as possible he had to eliminate preconceived ideas and prejudices. In the case of this present study, the researcher wrote a diary of what had been done and later recorded some criticisms of the events in this diary, based on his own judgement as well as on other staff's commentaries.

#### 3.4.3 Documentary Analysis

Another research technique employed in this study is the analysis of documents from the BoT. There are two sources of documents: the primary and secondary. The former includes those documents 'which came into existence in the period under research'

(Bell 1993: 68). The latter includes documents which themselves offer 'interpretations of events of that period based on primary sources' (Bell 1993: 68). What is more important is that all the documents used, whether primary or secondary, should be relevant to the study. For example, in the present research the primary source of documents can be seen from various BoT's newsletters and bulletins, which were issued during the time of the research fieldwork. The secondary source of documents can be seen in terms of the external consultant's progress reports on different HRM projects, which include an analysis of the BoT's employment relations at the time. Therefore, using a wide range of relevant documents can benefit this research in a number of ways. The documents may complement, confirm, modify or even contradict the data gathered using other techniques.

During the research fieldwork in the BoT, documents were collected by various means. Printed documents such as newsletters were available for free for members of staff. Some documents came in an electronic form, for example e-mail communication from the Bank's top management to staff. In this case, the researcher printed them out and filed them. Several colleagues were also kind enough to keep various kinds of data and information for the researcher. The analysis of these documents was undertaken in a similar way to that of the interview data: the researcher coded the data into different categories for subsequent use by the researcher at the stage of writing up the thesis.

### *3.5 Data Analysis*

There are a number of ways in which qualitative data can be analysed. Easterby-Smith et al. (1991) state that there are two main approaches to the analysis of qualitative

data: content analysis and grounded theory. The first of these aims to transform all the data collected into numbers, quantitative statements. It involves certain key phrases or words being counted, and the frequencies then being analysed. The choice of this approach might arise from a wish to test a specific hypothesis. However, this loses the richness of data and fails to provide a truly holistic view, which is very important in qualitative research. The second approach, grounded theory, provides a more open approach. The grounded theory approach recognises the large amount of non-standardised data that emerges from a qualitative study, and also emphasises that the conceptual framework of the research should be derived from the data themselves. According to Jones (1987), this approach 'fits' and 'works' better than a pre-determined conceptual framework that might not correspond to the data that have been collected.

However, using grounded theory is also problematic. If the conceptual framework is to be derived from the data, the researcher must take account of every piece of data that is collected. This is a very time-consuming process. In addition, the advantage of having a pre-determined framework is that the researcher will know what data to collect and where. The lack of such a framework might result in the collected data being too broad and lacking a clear focus.

Easterby-Smith et al. (1991) identify seven main stages of qualitative data analysis, based on grounded theory. However, the present study did not follow every step of the grounded theory.



The *familiarisation* stage requires the researcher to go through the collected data again with the aim of detecting the most important emerging themes and issues. In the present research, the researcher compared and contrasted these emerging themes with the pre-determined conceptual framework.

The *reflection* stage allows the researcher to ask some key questions about the collected data. This particular stage serves as a process of evaluation and criticism of the data collected. For example, the researcher should ask: do the data support or contrast with existing knowledge? Are the data able to answer the key research questions? Do the data open up a new issue for the research? In the case of the present study, the answers to these questions were varied. Some collected data were used directly within the pre-determined framework, but other data opened up interesting new issues to explore, and others had no relevance to the study.

The *conceptualisation* stage encourages the researcher to outline a set of concepts that seems to be important for understanding the situation being investigated. At this stage, the researcher is also concerned with the reliability and validity of the collected data. By asking certain reflexive questions, the researcher seeks to ensure the reliability of the collected data. For example: Do the collected data reveal a consistency in terms of how the individuals concerned view an issue? Have the interpretation and analysis of the data been appropriate? In the present research, apart from asking the above questions to himself, the researcher also presented the collected data to, and asked for comments and suggestions from, some of the BoT's staff and executives. This was to further ensure the reliability and validity of the collected data.

The next stage is the *cataloguing concept*, which requires the researcher to transfer all of the collected data into categories for future reference. The present researcher used a coloured file system and card indexes to distinguish between data relating to different issues. It is worth noting here that this was an extremely difficult task to perform. This was because qualitative data were difficult to be categorised, as the data were so rich in details, for example interview transcripts, and thus complicated to distinguish.

In the next stage, *re-coding*, the researcher goes through the categorised data again to ensure that the interpretation and analysis of the data have been conducted properly. However, because of the limits of time, the present researcher selected and re-coded only the data used for the core content of the thesis.

The last two stages are *linking* and *re-evaluation*. The former refers to the researcher linking empirical data to models/theories used by tacking backwards and forwards between the literature and the evidence collected in practice. The latter refers to when, in the light of the comments of others, the researcher may want to develop his analysis further in certain areas. For this study, this involved a process of redrafting chapters and reconsidering the conceptual framework to produce a final draft of the thesis.

As stated, the above characteristics of grounded theory were not all applicable to the present study. In fact, this study tended to enjoy benefits from both the content analysis approach and the grounded theory approach. This is because the present study was also aware of orientating role of theoretical ideas (those ideas concerning the tensions and limitations of HRM discussed in Chapter 2), thus this study was not pure grounded theory approach, but modified by a more explicit analytical agenda.

Therefore, the present study's method of data analysis, although based on grounded theory, did not follow the theory in every aspect. This study sought to move back and forth between a pre-determined conceptual framework, which had been established before the data collection, and the categories emerging from the data. Thus, instead of only using concepts derived from the collected data, themes, patterns and categories drawn from the collected data were also used to test, compare and contrast with the pre-determined framework, thus allowing a high degree of flexibility.

### *3.6 Conclusion*

This Chapter has presented a description and discussion of the processes, strengths and limitations of the research methodology used in the present study. According to the researcher's experience, the qualitative case-study approach based on semi-structured interviews, participant observation, documentary analysis and actual work experience techniques, allowed a naturalistic and in-depth method of acquiring information. However, it was not without problems, such as a certain amount of confusion for the interviewees and a prolonged and difficult process of data analysis. At the same time, although the participant observation method allowed an 'inside' view for the study, it was a time- and resource-consuming process: in order to gain the necessary breadth and depth of information, it needed to be conducted over a considerable period of time. In addition, an 'insider' status, through actual work experience, played a crucial role in encouraging the research participants to provide access and to speak freely and openly. Such status also proved to be an advantage for the researcher in terms of the opportunity it provided to gain access to the Bank's internal documents. However, to acquire such 'insider' status proved to be a time-



consuming process because it took the researcher several months before getting well-acquainted with BoT's members of staff.

It is also important to stress that the research process was also a learning process. The present researcher approached it as a kind of 'craft' or 'apprenticeship', or 'learning by doing'. By interviewing and observing research participants, the researcher was able to collect rich data. But when the researcher himself was actually involved in the events being studied, then it proved to be an especially valuable experience. This 'insider' status also allowed the researcher to be more accurate in criticising and evaluating the situation in question. Most importantly, it enabled the researcher to develop a sensitivity to the complex and often subtle issues being investigated, which would be difficult to achieve by any other method.

## Chapter 4

### THE DEVELOPMENT OF HUMAN RESOURCE MANAGEMENT (HRM) IN THAILAND

This Chapter presents an outline summary of the development of employment relations in Thailand based on the introduction of Western-style human resource management (HRM). It highlights the various factors (internal and external) which have influenced that development, and seeks to show, in particular, that Thai employment relations have been shaped by not only the development of business organisation but also by the economic and socio-political conditions of the country, including the impact of an authoritarian regime and the 1997 financial crisis. Therefore, in order to analyse the development of HRM in Thailand, it is necessary to trace the origins of employment relations in Thailand in the past, including the role of the state, trade unions and foreign investors.

As discussed in Chapter 1, Thailand has long been trying to develop its standing on the international stage, with a concerted attempt to transform itself from an agricultural to an industrialised country. However, as a result of the Asian financial crisis, which started in mid-1997, the Thai financial sector regulator, the Bank of Thailand (BoT), was blamed for its failure to maximise the benefits from its human resources. In particular, the BoT's approach to employment relations was seen as incapable of coping with today's fast-changing world (AEFTFC, 1999). Therefore, the Bank's top management sought to 'modernise' the Bank's approach to employment relations by embracing the HRM programme. The resulting changes in policy and practice at the BoT will be analysed in detail in the remaining chapters of

this study. In this way, the BoT case study will be used to explain and understand the characters and consequences of the adoption of HRM policies in such an important Thai institution, and also to consider the implications for HRM in Thailand more generally.

At a broader level of analysis, this Chapter represents an attempt to identify the changing situation of employment relations and HRM in Thailand in general. Although the present study applies a Western framework of HRM analysis to a Thai case study, it is nevertheless important to understand how HRM in Thailand itself has developed. One of the main arguments of this Chapter is that Thai organisations have always been under pressures from both internal and external sources of social, political and economic change; and those pressures have influenced the evolution of Thai employment relations over time. For example, the increasing importance of the private sector in the Thai economy means that this private sector has sought to pursue a more effective and more flexible way to manage its employees. At the same time, many companies in the private sector have foreign investors who bring with them their own styles of management. In the end, however, Thailand must find a method of managing people which corresponds to the country's own social, cultural, political and economic conditions.

It is also important to note here that in this Chapter reference is made to several interviews. These interviews were conducted independently of the interviews cited in the rest of the thesis. The interviewees cited in this Chapter include a former human resource manager and a former engineering executive of one of Thailand's leading manufacturing companies (cement production). Further interviewees are a group of



medical doctors from one of the best-known public hospitals in Bangkok, Thailand. These interviews involved persons who were chosen for the specific purpose of clarifying the development of employment relations in Thailand, and related issues such as the view of other professions toward the human resource profession in Thailand.

This Chapter is organised as follows. The first section presents the discussion of historical development of employment relations in Thailand. This includes the role of the state and the role of trade unions in such development. Secondly, the discussion of a more recent development, which is the social organisation of HR expertise in Thailand, is presented. This section also includes a consideration of the impact of the 1997 Asian financial crisis on the development of HRM in Thailand. The third section discusses the contribution of foreign investors to the development of employment relations in Thailand. This section discusses the extent to which there are different styles of employment relations depending on the firm's country of origin. Examples of HRM policies and practices in organisations in Thailand are also outlined in this section. Lastly, a conclusion is offered.

#### *4.1 Historical Development of Employment Relations in Thailand*

There has previously been little serious academic examination of the development of employment relations in Thailand. The subject was generally neglected until the recent work of Virachanipawan (2001). Moreover, even among scholars specialising in the study of employment relations, Thai documents on employment relations were presented as policy formulations, implementation and suggestions (for example Utairut, 2000), or as translations of books by foreign scholars (for example Pon-anan,

1997). There have been very few studies at the conceptual level of employment relations, and this is one reason why the understanding of changing employment relations in Thailand has remained limited. This is mainly due to the fact that traditional employment relations practices have always been implicitly, rather than explicitly, stated in official documents, for example laws and regulations, or in shared activities that reflect Thai institutions, values and practices. It was not until the beginning of Thailand's industrialisation process (from 1958 onward<sup>1</sup>), which attracted extensive foreign investment, skills and technology, that the management of employment relations came to be seen as a profession, and personnel and human resource specialists were established in Thailand.

In the past, the management of employment relations in Thailand always maintained a system of top-down hierarchical control, often closely associated with military ranks and orders, as a basis for managing people. Theories and practices of how to manage people in this way were embedded in laws, rules, and public sector regulations and procedures. In 1928 the Civil Service Act initiated a number of current practices in Thailand's civilian public sector employment relations, for example the use of written examinations as a basis for public sector recruitment. This Act has been amended (most recently in 1995), but its basic provisions are still in force.

#### 4.1.1 The Role of the Military State and Weak Trade Unionism

From the year of transition to formal democracy in 1932 to the starting point of the industrialisation process in 1958, labour organisation played a significant role in Thai

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<sup>1</sup> The first National Economic and Social Development Plan, introduced in 1958, was a milestone in the industrially-based economic development of Thailand.

politics. Although Thailand is a formally democratic country with the King as head of the state, in practice Thailand was under the rule of a group of soldiers who exercised authoritarian power. In particular, during that time, the first trade unions emerged, but this coincided with their use as a political tool. For example, according to Piriyarangsan and Itoga (1996), in 1948 Field Marshall Phibulsongkram, the Prime Minister, helped to establish the Thai Union of Labour (TUL), which actively supported his anti-communist campaigns. The Free Workmen's Association of Thailand (FWAT) was formed in 1954 by Police General Phao Sriyanon, Head of the Police Department, for the same purposes as the TUL. Nevertheless, the first Labour Act of 1956 gave workers the rights to bargain collectively and to strike. This resulted in a real capacity of the labour movement to gain some influence at that time, within the framework of a state-sponsored corporatism.

The uprising of another group of military generals in 1958 marked the beginning of the industrialisation process and the suppression of trade unionism in Thailand. The new authoritarian regime started the National Economic and Social Development Plan with an emphasis on using exports and foreign investment as a strategic tool to achieve economic growth and development. This coup d'etat in 1958 resulted in Thailand coming under absolute military rule again until 1973, and this led to the 'dark age' of the Thai labour movement. The regime sought to ensure a peaceful atmosphere for foreign investors in Thailand. The Labour Act was repealed and trade unions were abolished. The labour movement was now completely illegal and was depicted as a threat to national security. Thus, the period between 1958 and 1973 was one in which formal labour organisation did not exist. The authoritarian regime did not allow the opposition to have any significant degree of political power. There were



several political parties, but their actions were either forbidden by the regime or had to be in accordance with the regime's strict guidelines. Although the temporary civilian government issued the Industrial Relations Act in 1975, which has given workers the right to organise and strike (this law is still in force today), the successive Thai governments have also been trying to ensure a 'good' investment atmosphere for foreign investors by not encouraging the labour movement. For example, Thai law allows a new trade union to be formed easily. This has resulted in multi-unionism in various industries, where weak organisations are always competing with each other in terms of membership, influence and ideologies. Thus, the labour movement in Thailand has never been a significant power in the country's social, political and economic development.

Under the authoritarian, military-based governments from 1932 onward, concern over the management of employment relations was beginning to be active in the public sector and prompted the development of a form of authoritarian bureaucracy. Rules and regulations from the Civil Service Act of 1928 were used as guidelines for the public sector. For example, Na Nakorn (1960) argued that equality must be a guiding principle for all human resource-related matters in the public service. At a conference in 1961 Field Marshall Sarit, the Prime Minister of the regime at the time, highlighted another aspect of such bureaucratic structures when he emphasised the importance of putting the right man into the right job (Raksasut and Sujaritkul, 1971). Overall, it may be suggested that, as a result of military rule, employment relations placed more emphasis on the deployment of human resources than on equality. A further military government from 1976 to 1988 did not in any way obstruct the growing interest in employment relations issues among Thai scholars. For example, Jamnong (1979)

conducted research on employment policies in multinational companies in Thailand. Many other researches (for example Kasemsin, 1983; Tiyo et al., 1984; Laohavichian, 1987 and 1988; Na Nakorn, 1991) identified several problems in the study of employment relations in Thailand, such as the non-dissemination of the findings of such research, as well as the unsystematic design of the research and a lack of theoretical support.

From a broader perspective of political economy, it was suggested by Deyo (1995) that Thailand's employment relations style was closely associated with the country's social, political and economic development. Due to the country's industrialisation strategy in export promotion, there was a growth of waged employment (Deyo suggests 63 per cent of non-agricultural employment by late 1980s) with a mixture of personalised and more formalised employment relations. And because the country's pattern of industrialisation was based on labour-intensive production, coupled with successive military regimes and weakness of organised labour as stated above, this meant that authoritarian paternalism was a dominant pattern. The central role of the military and the authoritarian state meant that trade unions had either been incorporated within authoritarian corporatism or faced repression for most of the period. Overall, labour was weakly organised, though the growth of unionism in the state sector had secured advances in workers' rights and gained spasmodic political leverage. Therefore, against this background, authoritarian paternalism had developed and formed the basis for the systematisation of employment relations in different ways in different sectors and organisations, especially influenced by the policies of foreign inward investors (see the discussion of different employment relations styles in different types of organisation in Thailand later in this Chapter).

In this context, therefore, the development of authoritarianism and military-based rules in Thai society, coupled with the weakness of trade unions, has led to the situation where Thai society is extremely hierarchical; and deference has become one of the dominant common beliefs. Consider the following quotation from Holmes et al. (1996: 26):

‘Thailand is a hierarchical society ... Each Thai person who is trained to be a functioning member of society learns, early in life, what rank he or she holds and how he [or she] is supposed to treat others according to that rank. The “others” in his life are reckoned as his juniors, his seniors or his peers ... The hierarchical make-up of Thai society has a great influence on Thai organisational structures.

From the above quotation, it is clear that, from the familiarity with authoritarian rules, the notion of deference is one of the most crucial principles in the Thai style of employment relations. This is a result, as Holmes et al. (1996) conclude, of the replication of the hierarchical nature of Thai society. The lower ranks have to give respect in every situation to the older or higher ranks. They suggest that in Thai organisations subordinates have to obey superiors in every circumstance because Thais have been infused by this idea since their childhood. However, this emphasis on the role of socialisation into common cultural values needs to be qualified by a recognition of the patterns of power and resources – including the repression and weaknesses of forms of labour organisation, but also institutionalised forms of patronage and rewards – that usually reinforce appeals to these dominant values.



The implications of authoritarian paternalism for the Thai style of management can be exemplified by the concepts of *Phradet* (exercise of authority and toughness) and *Phrakhun* (systems of patronage). The general characteristics of these two concepts can be seen in the Table 4.1:

**Table 4.1: The Characteristics of *Phradet* and *Phrakhun***

<b>‘PHRADET’</b>	<b>‘PHRAKHUN’</b>
<b>Traditional Exercise of Authority and Toughness</b> For example: <ul style="list-style-type: none"> <li>- demand loyalty</li> <li>- demand that work be done</li> <li>- dispense justice, as well as administer discipline and punishment</li> <li>- play a mediating role</li> <li>- make policies</li> </ul>	<b>Traditional Systems of Patronage</b> For example: <ul style="list-style-type: none"> <li>- give money, shelter, food and clothing</li> <li>- give care during sickness or other crisis</li> <li>- lend prestige (from affiliations)</li> <li>- give rewards</li> <li>- all of the above extended to members of the subordinate’s family</li> </ul>

Source: Adapted from Holmes et al. (1996: 66).

It is commonly argued in Thailand that *Phradet* and *Phrakhun* should both be utilised by managers in the organisational context in order to achieve an organisational goal through the effectiveness of organisational members. *Phradet*, which conveys a sense of an authoritarian way of dealing with employees, emphasises the importance of controlling employees with authority and power, delegation and sharing as necessary. *Phrakhun* refers to encouragement and patronage for an increase in employees’ loyalty. Whilst *Phradet* has a feeling of dictatorship over employees, *Phrakhun* will make employees feel that they have to work effectively because they owe something to the organisation.

Therefore, from the above characteristics of the exercise of authority (*Phradet*) and the patronage system (*Phrakhun*) in Thailand, it is obvious that Thailand has its own

distinctive institutional context in terms of authoritarian paternalism which has determined the country's employment relations style. This institutional context has been derived from the development of socio-economic conditions of the country (successive military regimes, weak organised labour and the emphasis on foreign investment). Thus it is obvious that these institutions play a significant role in determining the behaviour and relationships of Thai managers and employees. As discussed in Chapter 2, Whitley (1999) (see Table 2.6) has provided a useful framework for analysing the importance of this sort of national institutional context for patterns of employment relations, though Wilkinson (1996) has pointed out that the coherence and integration of such institutional features should not be overstated at the expense of a recognition of the role of power and conflict.

In terms of our focus on employment relations, only the last group of institutional features will be discussed (see Table 2.6). Power, trust and authority within Thai firms have been organised in terms of both formal bureaucratic and paternalistic authority relations. A hierarchical structure is evident, as well as a more personalised relationship through patronage and paternalism. This suggests that the traditional Thai way of management includes the orientation of managers toward both social class and patronage system, and this reinforces both deference and subordination. In addition, as will be discussed later in this Chapter, even in an organisation with a foreign style of management (for example in Japanese subsidiaries and Western subsidiaries), Thai institutional features still play a crucial role in determining the relationship between different 'actors' within the organisation. For example, these power, trust and authority relations shape the broader structure of relationships between employers and employees in terms of hierarchy, deference and seniority system.

Gradually, interest in contemporary HRM as an alternative approach to employment relations in Thailand has grown as Thai entrepreneurs have faced the challenge of external pressures from abroad through the influx of foreign investment. Thai entrepreneurs gradually have had to adjust themselves to the impact of skills and technology imported from abroad. Thai industry also needs to upgrade its standards as production has become more focused on exports rather than domestic consumption. In addition, the Thai public sector, in particular, has followed the path led by the private sector. Thai public sector managers now see the management of employment relations as crucial to the development of the country. This can be seen from the fact that in the past few years there has been an ongoing reform of the Thai public sector's employment relations toward the now widely popular approach of HRM. This was evident, for example, when the Office of the Thai Civil Service Commission employed a number of employment relations experts to give advice to the Office on the 'best practices' of modern HRM. In addition, in terms of a national policy on employment relations, the Office of the National Economic and Social Development of Thailand has incorporated the idea of human resource development in its last three five-year plans (National Economic and Social Development Plans); in the sixth (1987-91), seventh (1992-96) and eighth (1997-2001) plans. These have all aimed to develop the country's human resources in order to meet the challenge of a fast-changing economic, social and political situation. The current Thai constitution, from 1997 onwards, has also focused on the implications of Thai human resources as one of its central themes (Virachanipawan, 2001).



#### *4.2 Recent Developments: The Social Organisation of HR Expertise in Thailand and its Integration into Existing Professions*

This section discusses a recent development of employment relations and HRM in Thailand, namely the emergence of a distinct HR expertise. Until recently, internal factors did not allow the Thai HR profession to gain much autonomy. For example, in terms of HRM consultancy, foreign consultant companies dominated the consulting 'market' as 'experts' in the area. In addition, the ease of accessing specific HR skills meant that other professions did not see the role of the HR specialist as necessary. Nevertheless, the recent 1997 Asian financial crisis has resulted in the issue of HRM and HR expertise becoming increasingly important.

In terms of HRM consultancy firms, apart from foreign consultants' branches situated in Thailand, there are now also some Thai human resource practitioners working as HRM consultants. At a human resource conference organised by the Thai-German Foundation in Chonburi, Thailand, in early 2000, the researcher had an opportunity to meet representatives of several Thai human resource consulting companies, some of whom presented papers and lectures at the conference. Although their presentations and knowledge were impressive, a notable feature was that they were based on the 'best practices' of Western HRM. In other words, Thai consultants sought to 'sell' their knowledge and skills in modern Western HRM instead of trying to establish a specific model of HRM that suits the particular conditions of Thailand.

In addition, several academics in Thai universities also act as consultants in human resource matters for firms. For example, during the researcher's time at the BoT, there were presentations by several consultants, including those from foreign and Thai

firms, as well as individuals who are Thai university academics, competing for human resource consulting jobs for the Bank. According to one of the Bank's executives, who was on the selection committee for such jobs, the human resource knowledge of all firms and individuals was impressive. However, the main difference was seen in the technology involved in presentations. For instance, the foreign consulting firms used advanced technology, including on-screen computerised presentations and virtual graphics. These certainly impressed the committee. In contrast, the presentations by Thai academics were based on handouts and overhead projector slides, which made it more difficult for the presenters to get their message across.

In general, it seems that people who work in human resource-related jobs in Thailand are not required to hold a degree in human resource and employment relations. These subjects are inter-disciplinary in focus, involving knowledge and skills in business studies, economics, sociology and law. Therefore, as a result, the study of HRM in Thailand, as a specific degree, is neglected until the postgraduate level. In the BoT, for example, almost all of the staff with whom the researcher worked in the HR Department did not have a background in human resource management in their first degree; human resource and employment relations were usually special options that they could choose to do as part of their degree. Some of them pursued an academic study in human resource and employment relations after joining the Bank's HR Department. Others relied mainly on their work experience. This situation reflects the fact that in Thailand the HR profession was not seen as having its own expertise, and it was also seen as relatively easy for other professions to adopt the role of HR specialist.

For example, an executive engineer working in one of the leading Thai private manufacturing companies explained that human resource-related tasks are crucial for a firm. However, he argued that such human resource tasks should be performed by (in this case) the engineers themselves, because they are the ones who understand the relevant workplace conditions. Human resource specialists were seen as outsiders who never perform these crucial tasks. The engineer in question expressed concern about whether a human resource specialist who was not promoted from the engineering profession would have adequate information and skills to understand the needs of business and the employees.

This is also true in the case of the service, professional sector, for example in the case of medical doctors. According to several medical doctors and practitioners with whom the researcher had the opportunity to discuss these matters, private hospitals in Thailand tended to hire a managerial specialist to manage the hospitals. However, such a specialist was seen to have an inadequate knowledge and first-hand experience of the medical profession, and therefore did not have the necessary inside information to perform the job properly. In the case of public hospitals, the Thai government was pushing for a number of managerial practices and initiatives to be used. For example, service provision needed to meet certain criteria. However, as many doctors argued, in an emergency case sometimes a fast decision was needed, and it was not always possible to follow all formal administrative procedures.

The question here is whether a separate HR specialist will actually help to improve an organisation's performance. From the above discussion, it can be seen that HR functions are seen as important by other professions in Thailand, but it is felt that



ideally these functions should be performed by someone who has inside knowledge of the job based on existing professional expertise. Therefore as in the BoT's case (which will be discussed in detail in later chapters), in Thailand human resource and employment relations are rarely seen as a separate profession, but are more often seen as a responsibility of the main profession within the organisation. This means that the HR profession still cannot distinguish itself as a professional expertise to command autonomy and thus cannot compete with other professions.

#### 4.2.1 The Impact of the 1997 Asian Financial Crisis on the HR Profession in Thailand

However, the recent pressure from the 1997 Asian financial crisis has played a crucial role in encouraging Thai companies, both public and private, to seek an alternative way of managing their employees. As a result, the management of employment relations is now being seen as crucial, and the role of HR specialists is increasingly seen as important to the organisation's success. Thailand has sought to create a free economy; however some of its domestic and public companies have been left behind. Those companies could not respond to a fast-changing environment. Meanwhile, the crisis has had serious consequences for workers in Thailand.

According to a study by representatives of the World Bank and the ILO (Betcherman and Islam, 2000), in the 15 years prior to the 1997 Asian financial crisis, the economic growth rate of four countries in Asia (Korea, Indonesia, Malaysia and Thailand) was over 6 per cent per annum. The key element of this success was an openness to international trade and investment. In the 1980s and early 1990s these Asian countries experienced a phenomenal growth of exports (for example see World Bank, 1993). Net capital inflows were very large and continued to accelerate.

According to Betcherman and Islam (2000), by 1997 these countries, which used to be very poor, had risen to middle-income level, with Korea moving towards the level of advanced industrialised countries. In terms of the labour market, such a high rate of economic growth was of great benefit to workers. For example, real wages increased significantly in these countries, and the unemployment rate was low (below 5 per cent). There was also a shift from agricultural industry into services and manufacturing, especially in urban areas. Before the 1997 crisis, at least half of all jobs in Korea, Malaysia, Indonesia, the Philippines and Thailand were in non-agricultural sectors. There was also an increase in educational attainment. However, in mid-1997, the Asian financial crisis began in Thailand before spreading throughout the region. In 1998, GDP decreased by 10.0 per cent in Thailand, 0.4 per cent in the Philippines, 5.8 per cent in Korea, 7.5 per cent in Malaysia, and 13.7 per cent in Indonesia (Betcherman and Islam, 2000).

In general, in terms of the labour market after the beginning of the financial crisis, on the demand side, the study by Fallon and Lucas (2000) suggests that structural and economic adjustment as a result of the financial crisis resulted in both wage decline and rising unemployment. On the supply side, weak demand for labour resulted in migration between rural and urban areas in response to a change in economic opportunities. Another aspect of labour market adjustment has been the interaction between the segments of the labour market. When labour demand decreases, as a result of financial crisis, workers are encouraged to move to the informal sector, for example agricultural employment and informal urban activities.

In Thailand, the unemployment rate more than doubled between 1997 and 1998. Employment declined in absolute term in Thailand in 1998. The crisis also resulted in Thailand's real wages decreasing by 7.4 per cent (Betcherman and Islam, 2000). On the supply side, flows between rural and urban areas have been important in the adjustment process. Prior to the crisis, labour flows from rural areas to Bangkok (the capital city) were large, but these were significantly curtailed with the onset of the crisis and this period saw the emergence of reverse migration. According to a report by the World Bank (2000), this has resulted in downward pressure on rural incomes. In terms of international migration, this has not been significant in the Thai case, though it has in other countries such as Indonesia and the Philippines.

Structural adjustment and the changing characteristics of the labour market in Thailand, as a result of the Asian financial crisis, led to a decline of the wages of 'employees', or those wage-earners typically in the formal sector. The Thai labour market has responded to the financial crisis in terms of a downward pressure on wages and employment, declining labour force participation, and a shift to employment in the informal sector. Employment in the wage sector and real wages both declined as a consequence of the crisis.

The impact of this structural adjustment of the Thai labour market on employment relations means that firms are now seeking to maximise benefits from their existing capital, including human resources. Thus, there has been an attempt to look for a more effective way of managing human resources. For example, in terms of training and development, the role of national systems of vocational training has become more important than ever. This is because now the state has to take responsibility in



ensuring that the nation's workforce has all the necessary skills and knowledge to compete in the world economy. It has been argued that the strategy of attracting investors by low wages should be discarded because newly-emerging markets like Vietnam and Bangladesh have a much better competitiveness in terms of low wages. Therefore, various skill training programmes, funded by the Thai government and donors, have been initiated. At the same time, private training institutions and firm's own training programme are gradually becoming increasingly important as providers of training opportunities. However, it has to be noted that, compared with Korea, the Philippines and Malaysia, Thailand has seen fewer innovations in the field of skill training. One of the reasons is that the Thai state has played a less important role in ensuring workers' skill and performance than its counterparts in neighbouring countries. For example, the Thai Public Employment Service (PES) has not introduced any significant initiatives in response to the financial crisis. By comparison, in Korea the capacity of the PES network has been strengthened by the increasing number of offices and counsellors. The Korean government has also introduced an internet-based labour exchange system, providing a range of services on employment issues. In addition, income support for workers in Thailand has been very limited. In fact, during the crisis there was no unemployment insurance available for workers. In these respects, there is continuing uncertainty about the extent to which the Thai economy is moving away from a low wage competitive strategy.

In this context, Thai enterprise managements have had to respond directly to these crises in the labour market. Increasingly, apart from skill training as discussed above, employment relations in Thailand are also being expected to deal with the issues of job security and employee welfare. The absence of unemployment insurance, as well

as the downward pressure from the crisis on employment and wages, all require improved internal employment relations within firms to deal with these matters. In particular, there is a clear need for a training system that can respond to structural reforms. Even without the economic crisis, as Betcherman and Islam (2000) suggest, 'growing and dynamic economies are required to undergo structural reforms and training systems need to gear themselves to meet the challenges emerging from such reforms' (p. 18). The crisis also further suggests the need for a more pluralistic approach, since the crisis has revealed the importance of transparency and accountability in governance, and the need for a broader participation of civil society in the process.

The financial crisis has also led to increasing recourse to the support of external HRM consultants. Major public- and private-sector organisations in Thailand, for example the BoT (the case study of this present research), the Stock Exchange of Thailand (SET), and the Office of the Civil Service Commission (OCSC), have sought help from private external consultants in 'modernising' their way of managing employees. These external consultants have sought to introduce the 'best practices' of Western strategies, especially in terms of HRM programme. Modern HRM, as perceived by HR practitioners in Thailand, is seen as the best way to ensure that firms are more flexible and dynamic, that they can adapt themselves quickly and respond to change more effectively than in the past.

If we follow Deyo's (1998) account of patterns of development in East Asian countries, we see that Thai firms are now being forced to implement a 'dynamic flexibility' strategy in order to enhance their competitiveness, lower their production

costs, and generally become more responsive to environmental change due to the financial crisis. 'Static flexibility emphasises employment and capacity adjustments through reliance on external labour markets to fill positions and to obtain necessary skills, increased use of temporary or casual labour, and extensive subcontracting to outside suppliers. Such flexibility may often undercut long-term investment in employment skills, technological innovation, work reorganisation and supplier capacities' (Deyo, 1998: 191-192). While dynamic flexibility 'is associated with longer-term relations within and among firms, and with a corresponding stress on mutual gains through collaboration and joint learning. .. this implies more opportunity for training and job advancement, greater job security, the instituting of various measures to encourage job stability and organisational commitment, and fuller participation in problem solving and production decisions' (p.192).

The question here is whether the HRM programme, if we take the framework from Deyo (1998), is 'dynamic' enough for the firm to cope with today's fast-changing environment. Obviously, this is a complex question and the answer will not be the same across different industries. There are other relevant factors, apart from the HRM programme, that contribute to the ability of a firm to compete. The workers' educational and training background, for example, determines whether workers will respond positively to structural adjustment. Moreover, within the notion of HRM itself, as the main focus of this study, there are still tensions and limitations that must be resolved. This study does not claim that the HRM programme, usually with a unitarist ideology, will necessarily be ineffective. However, it argues that the management of employment relations of today, using some forms of HRM programme, will be more effective or more 'dynamic' if it also takes account of



specific social and economic contexts of the organisation, and addresses issues such as the power relations and conflicts involved in organisational change.

This means that the HRM programme needs to view an organisation not only in narrow business and economic terms, but also as a social organisation composed of managers and employees with different concerns and priorities. In other words, there are competing socio-economic models of organisation which emphasise different aspects of employment relations. For example, an organisation with a 'hard' approach might prefer high pay for 'high flyers' and job security depending on short-term performance. On the other hand, a 'softer' organisation might emphasise better pay for all employees with job security as a basis for commitment. These two are contrasting socio-economic models and this indicates the fact that the organisation is not just about pay, performance and profit.

#### *4.3 Recent Variations in the Organisation of Employment Relations in Thailand: The Role of Foreign Investors*

One important research study of changing employment relations practices in Thailand (Lawler et al., 1989) suggests that styles of employment relations practice in each firm in Thailand are related to the firm's country of origin. Apart from public-sector companies, Thai firms can be historically distinguished into four main organisational forms: subsidiaries of Western firms, subsidiaries of Japanese firms, Thai family enterprises, and publicly-held Thai corporations. The latter is a form of state enterprise that has gone 'public', or an enterprise that has been privatised but with the state still holding a majority of stocks and shares. This type of organisation takes its

own managerial decisions independently from the Thai government, while the government only intervenes at the policy level.

The first type of firm, the Western subsidiary, incorporates the employment relations approaches of both American and European firms. This is because only a few differences were found between subsidiaries of these two groups of firms in Thailand, and consequently they were grouped together (Lawler et al., 1989). The dominant theme of this style of employment relations was one of rational control and efficiency. Most of the managers in these firms were Thai nationals; and the firms generally utilised professional HR managers who exerted considerable influence within the organisation. Rules and procedures were standardised by the firm's headquarters. There was also an emphasis on performance-based pay. Formal training appeared to be limited because this type of firm relied on relatively high wages to attract workers who already possessed some experience. The degree of employee involvement in the firm's decision-making process was low, and the firms avoided unionisation.

One of the best-known Thai HR practitioners, who worked for an American multinational corporation earlier in his career, suggested that this type of Western subsidiary strongly influenced the initial development of a more 'modern' or Westernised approach to employment relations in Thailand:

'Westernised employment relations practices in Thailand started from around 1958 onward when foreign companies began to invest in Thailand, especially from American oil and related products companies. These companies brought in their own

human resource practices, especially in terms of the management prerogative or management-oriented organisation.

As the government's industrialisation strategy was implemented in 1958 through export promotion and the encouragement of foreign direct investment, there was a growth of this particular Western style of managing people, with no opposition from any labour organisations. As noted earlier, this was partly due to an attempt by the authoritarian regime of the time to ensure a peaceful atmosphere for foreign investors by placing restrictions on the labour movement. This new style of employment relations itself also aimed at ensuring the right of management to manage, supported by a unitarist ideology of employment relations. In a sense, the entry of Western subsidiaries could be regarded as the beginning of the development of contemporary HRM in Thailand.

Secondly, Japanese subsidiaries in Thailand were also evident. According to the same Thai HR practitioner, the historical development of Japanese subsidiaries in Thailand was as follows:

Later, around 1977, when there were increasing joint ventures between Thai and Japanese companies, the Japanese also brought in management skills as part of their technology to transfer to Thai managers and workers. Those skills emphasised the aspect of employee-oriented organisation. Issues such as employee participation were seen as crucial.



In contrast with the Western subsidiaries, Japanese subsidiaries<sup>2</sup> tended to emphasise the importance of employees for the organisation. As Lawler and Siegnthai (1996) claim, the dominant strategic theme of Japanese subsidiaries was found to be one of acculturation. These firms did not rely much on the role of Thai human resource specialists. Expatriate Japanese typically occupied key management positions, which facilitated the control of the subsidiary by the parent company. Traditionally, there are four 'pillars' of the Japanese employment system (Sako and Sato, 1997): lifetime employment, the seniority-based system, enterprise unionism, and enterprise consciousness. However, not all of these four elements were adopted in Japanese firms in Thailand. This might due to the fact that these firms came to Thailand in search of a low-wage workforce, and concentrated on labour intensive, low-skilled production, and these Thai low-skilled workers had always been familiarised with deference and authority (as discussed earlier in this Chapter). Thus, the Japanese inward investors could take advantage of these facts and did not need to provide Thai workers with what they provided for Japanese workers. For example, the firms did not formally guarantee 'lifetime' employment for staff. However, according to Lawler and Siegnthai (1996), workers in Japanese firms in Thailand still enjoyed more job security than their counterparts in Western subsidiaries. Pay was based on seniority rather than performance. Employee involvement in the firm's decision-making was common, but unionisation was not encouraged (which is another feature that is different from the 'four pillars' of Japanese management system). As a result, in terms of enterprise consciousness, Thai workers did not always have the same level of loyalty to Japanese firms as Japanese workers did to Japanese firms in Japan.

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<sup>2</sup> This present study, however, focuses on employment relations in terms of 'Western' style, or the HRM programme. As can be seen, our case study, the BoT, and other Thai public organisations, have recently introduced the Western HRM programme to its workforce.

Thirdly, Thai family enterprises were common, as in most of the rest of Asia, where large-scale organisations are owned and managed by the member of a single family or small groups of families, for example the Korean Chaebol (Steers et al., 1989). Some of the largest organisations in Thailand, such as several commercial banks, were owned by entrepreneurial Thai families of Chinese origin. As Isarangkun Na Ayuthaya and Taira (1977) suggest, these families' management system relied heavily on personal and family connections and inter-family networks. These connections served as a foundation for the families' businesses. Therefore, employment relations were rooted in the traditional values and common practices of the families rather than any systematic human resource approach. It was suggested that systematic employment relations, such as human resource planning, were virtually absent in such family organisations in Thailand. As Lawler and Siegnthai (1996) put it, 'management control of employees is exerted largely through a hierarchical system that reflects the traditional class system in Thailand. Those in lower positions defer to higher level managers more out of a sense of duty than as a result of rules and regulations' (p. 322). Employment practices in Thai family enterprises involved heavy reliance on personal networks and contacts, as well as seniority and social status. Techniques such as systematic performance evaluation were neglected.

The last type of non-public organisation in Thailand is the publicly-held Thai corporation. As stated earlier, this is a form of state enterprise that has gone 'public' by selling shares to the public while the state still holds the majority of shares. Family and state enterprises have increased in size, scope and competition (especially from foreign investors), and the experience of the financial crisis has forced many firms to shut down or to 'liquidise' themselves by selling shares or indeed the whole company.

Many commercial banks, which used to be family-owned prior to the crisis, now belong to foreign investors. State enterprises have been privatised to gain more capital in order to enhance their competitive performance.

In terms of employment practices in the Thai publicly held organisations, there was a mix between Western rationalism and the traditionalism of family enterprises. This type of organisation was hierarchical, with authority patterns related to social class. At the same time, there were also more systematic employment practices at the managerial and professional levels, such as sophisticated training programmes and performance evaluation. However, for lower-level employees, such as production workers and clerical staff, employment practices were similar to those of workers in family organisations. There was little formal training, and employees were often recruited through personal networks. Systematic performance evaluation was not evident.

From the discussion of the last two styles of employment relations in Thailand, those of family and publicly-held enterprises, it was suggested that authority patterns related to social class and status were employed as, arguably, a Thai style of employment relations. However, these two types of enterprise recently faced a major pressure from the 1997 Asian financial crisis. Many family-owned companies were sold to foreign investors. In addition, the Thai government had to privatise its enterprises, opening them to foreign and private investors in a search for more capital. Therefore, it has been increasingly believed that such authority patterns of social class, which involved the distinct elements of authoritarian paternalism between superiors and subordinates, might no longer be appropriate as an approach to employment relations. As foreign



investors have now played a more important role in firms' internal management. Westernised ideas and concepts of how to manage human resources, represented by contemporary Western HRM, have begun to dominate even in Thai organisations. One dilemma here is the extent to which notable features of Thai employment relations, such as command and deference, would fit into or contrast with the Westernised HRM programme. This issue will also be illustrated and investigated using the BoT case in later chapters.

#### 4.3.1 Examples of HRM in Thailand

The 'language' of contemporary HRM, as an alternative approach to employment relations, began to enter Thailand with the operations of foreign investors in terms of MNCs. More recently, research by the Thailand Productivity Institute (TPI) (2001) has sought to identify the 'international best practices' of HRM within MNCs in Thailand, such as the Sony Semiconductor (Thailand) Company Limited (SCT), a Japanese subsidiary, and the Thai Carbon Black Public Company Limited (TCB), a company originating in India. The aim of the study was not only to identify the best practices of HRM but also to create a 'benchmark' for other organisations in Thailand so that they could acquire the knowledge needed to improve their employment relations.

According to the TPI account, the SCT's business strategy, with the aim of becoming a centre of semiconductor production in Thailand and in the Southeast Asia region, acted as a fundamental basis for the firm's human resource strategy in recruiting and training in order to maintain the high quality of the firm's human resources. As well as seeking to integrate its business and human resource strategy, the SCT also

emphasised the importance of 'high-morale employees' by focusing on employees' well-being and satisfaction at work. Both on-the-job and off-the-job training were used extensively to maximise employees' potential and performance. The system of 'Employee Relations and Industrial Relations' – ER&IR – of the firm also aimed to create a good relationship between workers and management. Joint committees of employee representatives and managers were evident. However, it was not clear whether such committees had any authority in decision-making in work-related matters. This was because, according to the report by TPI (2001), such committees seemed to be responsible mainly for recreational activities for employees, such as trips or sport events. In addition, trade unionism seemed to have no role.

In the TCB, employees' education, training and development were also emphasised. There were five areas of training which the company provides for employees: management training (for example team building), technical training (in work-related matters), participative management training (for example quality circles), safety and environment training (for example the ISO standard) and languages training (for example English courses for employees). As in the SCT, the degree of employee involvement was high. In the TCB case, employees were involved in different forms of decision-making, concerning both work and non-work matters. Managerial initiatives, such as the adoption of the ISO standard, quality control circles and total quality management, were used within the organisation. Although it was of Indian origin, the TCB made extensive use of Japanese managerial principles, such as the Kaizen (continuous development), where it was compulsory for each employee to make recommendations or suggestions for improvement at least twice a year.

Generous welfare benefits and an emphasis on safety at work were also stressed, as in the SCT.

According to our discussion in Chapter 2, in both cases the 'soft' version of HRM appears to have been adopted: employees were seen as valued assets of the firm. Training and development aspects were the most crucial part of the firms' HRM practices. In the SCT, there was a specific Education and Training Department responsible for the administration of all training and development programmes. Both general training (for example in soft skills such as presentation skills) and technical training (in work-related matters) were provided. Both companies also had a programme to subsidise staff members' continuing education, for example for a professional certificate in work-related matters. Self-development programmes, using for example a self-learning centre in the company's library, were also emphasised. Post-training evaluation, to determine whether the staff have learnt anything from training programmes, was also used.

The soft approach to HRM in both companies was also evident in terms of an emphasis on the staff's well-being and satisfaction by providing a safe work environment and generous welfare and other benefits in order to create a 'high-morale employee'. For example, in the SCT there was one specific joint committee of employees and managers responsible for looking after safety issues. Training on safety and risks at work was also a compulsory programme in both companies. In addition, apart from salaries and normal pay, both companies also provided generous financial support for employees. For example, in the SCT free life insurance was available to all. When an employee was about to get married, the company provided



financial support. Both companies also supported the provision of recreational and sport activities for staff.

The corporate culture programme was also an important part of the SCT's HRM programme. There were 18 desired cultural behaviours, such as always greeting one another, punctuality, wearing a proper uniform, etc. This corporate culture programme was an initiative by the management to ensure worker's well-being and satisfaction at work. This was expressed in various ways. For example, the company had a 'Hello MD Box', where an employee could anonymously complain or suggest anything by putting a note into the box. Also, as the report from TPI (2001) claims, employees can express their concerns during meetings. Exit interviews, as well as the turnover rate and absenteeism rate, were used to determine the level of employee's satisfaction.

On the one hand, it can be seen that the HRM programmes in both companies approached employment relations with a relatively high level of pluralism when compared to other Thai organisations, especially Thai public organisations, in which hierarchy, rules, formal procedures and deference were emphasised. This is not surprising in view of the suggestion by Lawler and Siegnthai (1996) that the country of origin of the firm contributes to the firm's approach to employment relations. In the SCT case (a Japanese subsidiary), a high degree of employee involvement was evident, which is in accordance with the style of Japanese management. The TCB, even though it was of Indian origin, used Japanese managerial concepts, such as 'Kaizen'. The degree of employee involvement also appeared high. Although the role of labour unions was absent from both companies, and in the SCT case it was not clear whether a high degree of employee involvement included actual involvement in

decision-making on work-related matters, there was a shared emphasis on the importance of employees. Different programmes and initiatives were built around them to ensure their satisfaction. Most importantly, according to the report of TPI (2001), in the SCT every single comment and suggestion from employees was considered and appropriate action was followed.

On the other hand, according to the criticisms of HRM discussed in Chapter 2, both companies' HRM programmes failed to resolve the tensions of unitarism within the organisation. The 'universalist paradigm' of HRM was still evident in both companies. For example, a dilemma arises in both cases from the attempt to integrate business strategy with HR strategy. The two firms had different characteristics: the SCT was a producer of semiconductors, while the TCB was a producer of rubber materials for the printing and automobile industries. The SCT was a high-tech company with a large number of employees, more than 1,200. The TCB was a much smaller company, with only 285 employees in total. As part of the Sony Corporation, the SCT was one of the best-known companies in the world, while the TCB, according to TPI (2001), still, to some extent, emphasised personal relationship among staff. These two companies had a number of fundamental differences. However, in terms of the two companies' 'visions', they were virtually the same: both companies aim to be a leader in its industry in Thailand and in the region. Both companies' human resource strategies sought to train and develop human resources' potential and performance by 'recruiting and training staff for the highest quality of the firm's human resources' (SCT) and 'continuously training and developing human resources for organisational and individual development' (TCB).

Therefore, the attempt by the TPI (2001) in promoting HRM programme as crucial to the organisational success raises some questions. First, the report by the TPI used two firms, the SCT and the TCB, as successful examples in adopting an HRM programme. However, this raises the question of how confident can we be about these accounts. Both companies were heavily influenced by Japanese models, although the TCB has an Indian origin. Secondly, it is also possible to question about this report's validity and reliability in concentrating only on companies with Japanese practices which usually involve a high degree of employee participation. This report does not show whether, in terms of Western subsidiaries in Thailand that usually involve the principle of management prerogative, employee participation would still be seen as crucial in the company's HRM programme. In addition, from the report presented by the TPI (2001), it was not clear that these two firms have overcome the difficulties and tensions in HRM policies discussed in Chapter 2.

#### *4.4 Conclusion*

This Chapter presents an outline summary of the development of employment relations in Thailand. This development includes the introduction of the contemporary HRM programme. At a higher level of analysis, the Chapter also attempts to identify the relationship of social, political and economic conditions with styles of employment relations in Thailand. In particular, the development of successive military-based governments in the past resulted in authoritarian paternalism being common among Thai employees. Later, the impact of the Asian financial crisis has contributed significantly to the need for firms to find an alternative approach to employment relations. However, initially the status of the HR profession was not seen as significant. As a result of the financial crisis, issues such as skill training and job



security now need to be dealt with effectively within firms. Both the downward pressure on wages and employment, and the inadequate role of the Thai government, have resulted in the widespread endorsement of HRM programmes, as it becomes more important to maximise the productivity of the remaining staff.

The development of Thai employment relations has also been greatly influenced by the development of Japanese and Western subsidiaries in Thailand, in the form of MNCs. All these foreign investors brought with them managerial and human resource techniques. At the same time, in family and publicly-held enterprises, traditional Thai norms and values, as well as existing institutional features within the organisation, largely determined the characteristics of employment relations, although this is being challenged and modified as a result of the financial crisis. Inevitably, the Thai characteristics from the existing institutional features sometimes result in conflict with the foreign style of management, as will also be discussed in the BoT case.

In particular, Thai public-sector companies have now increasingly seen the adoption of Western HRM programmes as a means of achieving more effective employment relations. Many public organisations, including the BoT, have sought the help of external consultants in introducing new HRM programmes. The challenge of HRM in Thailand now rests on its ability to cope with different pressures, both external (for example the consequences of the Asian financial crisis) and internal (for example the compatibility of HRM with existing institutional features). However, as this study stresses, HRM also faces challenges within itself, in terms of its own internal tensions and limitations. As our case study of the BoT will illustrate in later chapters, HRM

still needs to take account of all of these issues in its approach if it is to become more effective.

## Chapter 5

### THE OLD MODEL OF EMPLOYMENT RELATIONS IN THE BANK OF THAILAND

The current attempt to introduce the human resource management (HRM) programme, including new HRM policies and practices, in the Bank of Thailand (BoT) is intended to modernise the Bank's existing approach to employment relations. The purpose of this Chapter is to identify the key characteristics of employment relations prior to reform (the 'old' model). The aim is to analyse this old model of employment relations in order to determine the causes which resulted in the current stage of transformation towards HRM<sup>1</sup>. It is also important to note here that in several of the Bank's employment relations practices, the 'old' model has not yet entirely disappeared. This is partly because the implementation of the new model is still proceeding in the Bank.

The role of this Chapter is to outline the official diagnosis of the causes of Thailand's 1997 financial crisis (the report on the Analysis and Evaluation on Facts behind Thailand's Financial Crisis [AEFTFC] 1999), including some arguments about the inappropriate work conditions within the BoT prior to the crisis. This Chapter then looks beyond this diagnosis to explore key features of the established form of employment relations within the BoT by using evidence collected during the researcher's research fieldwork. This involves the exploration of strengths and weaknesses of the 'old model' of employment relations over time. Although this

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<sup>1</sup> In addition, it is also crucial to note here that there were other reform projects in other aspects in the Bank's operations, such as reform in monetary policy and financial operation decisions, however this study only concerns with the issue of employment relations.



study has certain methodological difficulty in re-constructing the old model from recent findings (for example because the researcher was not in the BoT prior to the crisis), but the reconstruction is still reliable because the researcher has information from several senior staff who told the researcher about the 'old days'. In addition, the reconstruction of the old model is significant because the official diagnosis tends to be superficial. In re-constructing the old model, this places the official diagnosis in a fuller context, providing a reference point for discussing current changes.

In contextualising the official diagnosis, broader conditions and causes of the financial crisis can be known. This points to the crisis as an external factor that placed massive pressures on existing relationship within the BoT. The diagnosis also points to the crisis as an external pressure which also exposed weaknesses of employment relations of the old model. However, prior to the financial crisis, employment relations in the BoT had also been perceived as effective, for example during the early 1990s when the BoT was seen to deliver Thailand's successive years of high economic growth. Therefore, the elaboration and reproduction of the official diagnosis by using data gathered during research fieldwork are important in order to understand the strengths and limitations of older employment relations. Such strengths and weaknesses were involved in the old model's features such as family atmosphere, patronage and deference, specialised expertise and routinised human resource work, and the lack of staff's collective identity within the Bank. It is also crucial to stress here that the reform of employment relations in the BoT was not simply the replacement of the 'old' with a new model, but complex patterns of change were also involved.

In the established pattern, the old model was not simply a failure: it had strengths as well as weaknesses. Also, the financial crisis, which then beset, was not simply a product of internal failure but was external feature of the old model. For example, there was a period in the late 1980s and early 1990s when the Thai economy enjoyed years of successive economic growth, and in that respect it could not be denied that the BoT played a crucial role in the nation's good economic management. However, the situation changed, especially as Thailand had opened up its market, especially the financial market, much more to the world economy than in the past. As a result, the BoT had also been required to update and modernise its operations to be able to cope with such different conditions of a more volatile world. However, as suggested by the official diagnosis, it was clear that the BoT's employment relations were not improved to cope with these conditions. This problem was then exposed and became explicit during the time of the 1997 Asian financial crisis when the Bank's old approach to employment relations was not able to solve, or at least soften, the burdens from the crisis the country experienced during that time. This present study does not deny that the management of the entire financial sector in Thailand was a critical issue contributing to the cause of the financial crisis. Indeed, other factors such as corruption and intervention of politicians also played a significant role in causing the crisis. However, as stated, a better approach toward employment relations could have eased the situation; at least the Bank's members of staff might have worked together much more in harmony.

This Chapter is organised as follow. First, the official diagnosis of the 1997 financial crisis in Thailand will be presented, especially in terms of problems in employment relations aspect that was partly seen as a cause of the crisis. Secondly, this Chapter will then move beyond the official diagnosis by using data from within the BoT to

elaborate and reproduce the issues discussed in the official diagnosis. The third section will discuss some key features of the old model of employment relations in the BoT. The fourth section will argue that the transition from the old model to the new HRM programme (which will be discussed in Chapter 6) involved complex, non-straightforward patterns of change. Finally, a conclusion will be offered.

### *5.1 The Official Diagnosis of the Inadequacies of the Old Employment Relations System*

The Asian financial crisis, which resulted in the BoT being blamed for its mismanagement in terms of decisions on financial policy and operations (AEFTFC, 1999), was seen partly as a cause of the need for reform in the Bank's employment relations. It was argued that the Bank's mismanagement in financial matters was partly due to the ineffectiveness of the Bank's approach in managing its human resources. The main argument was that, although the financial crisis was mainly a result of a series of failures in financial decision-makings, and it was a global issue where not just Thailand was affected, more effective employment relations within Thailand's central bank might have eased the negative consequences of the crisis for the country. If a better system of employment relations had been operating in the Bank during the crisis, the Bank's members of staff and its management would have worked together much more effectively. Indeed, this external pressure in terms of the financial crisis played an important role in forcing the Bank to reform its practices in the management of employment relations by exposing weaknesses of employment relations of the BoT.



Internal pressures within the BoT itself also played a crucial role in leading the Bank to the reform in its employment relations approach. The AEFTFC (1999), which was commissioned by the Thai Government, clearly states in its report that the BoT's employment relations were problematic and needed to be improved. This 'failure' of the old model was seen as a failure to cope with the fast-changing conditions of the world today. Thus, the view of BoT's top management was that in order to change conditions within the BoT, they required changes within the employment relations system. This was why a number of 'international best practices' and a new overall 'HRM' model were proposed as a means of achieving a more effective approach to employment relations.

#### 5.1.1 Broader Conditions and Causes of the Financial Crisis from the Official Report: From Employment Relations Perspective

The Asian financial crisis, which started in mid-1997, resulted in severe damage for Thailand both economically and socially. According to the AEFTFC (1999), the crisis had a number of causes. To begin with, the management of Thailand's financial sector was ineffective. Financial mismanagement, including some important mistakes in decision-making, bore much of the responsibility. Some companies borrowed money from abroad, and the amount sometimes exceeded their ability to pay it back. This did not represent one specific crisis, but rather, according to the diagnosis, it involved the continuous accumulation of problems from many different groups over time. The economic crisis also led to many serious social problems. For example, the increased cost of imported raw materials, due to the weakening Thai currency, forced many firms to shut down because they could not operate at such high costs. Also, foreign lenders demanded that debts should be paid back when they saw that the Thai economy was not stable. This caused many firms to go bankrupt. Therefore,

unemployment rates increased, resulting in a worsening of social problems such as poverty and crime.

The AEFTFC (1999) also identified what they saw as some of the human resource-related causes of the financial crisis of Thailand. In general, in order to enhance the effectiveness of their financial management, companies in the financial sector should have paid more attention to the process of recruiting appropriate executives. This was because the quality of those executives inevitably had a direct impact on organisational performance.

The BoT was one of the main targets of the AEFTFC's criticisms; and in particular the Bank's employment relations were criticised. There were a number of human resource-related problems in the BoT. For example, the official diagnosis concluded that conflict between high-ranking executives resulted in disharmony among staff (AEFTFC, 1999: p. 38, point 64, and p. 105, point 221). This led staff to distrust each other, thus reducing their concentration on work and leading to lower performance. The AEFTFC (1999: p. 104, point 220) stressed that the appointment of the Bank's executives had not been based on clear criteria of competence. For example, the executive who was responsible for currency exchange policy and international financial markets had no direct experience in such areas. In terms of common norms and values among staff, the AEFTFC (1999: pp. 125-126, points 264 and 265) suggested that in the past the Bank's staff had not dared to express themselves on work-related matters where such expressions of views could result in confrontation and conflict with their superiors, even if this meant damaging the Bank's operations.

In addition, according to the AEFTFC (1999: p. 182, point 417), although the expert staff consisted of a number of well-known and top academics and practitioners, they did not always work to their maximum potential and strength. This was due to disharmony among such experts arising from extreme competition within the Bank. In particular, some executives were too preoccupied with organisational politics within the Bank. According to the AEFTFC's analysis of the Bank's structure and management (pp. 187-192), the Bank also suffered from several other weaknesses in its employment relations approach prior to the crisis which began in 1997. For example, staff members were too concerned with non-work matters and they exhibited a tendency to avoid cooperation and to enter into conflict among themselves. To make matters worse, the Bank had no appropriate means to solve such problems and to motivate staff to work more effectively.

A lack of leadership in the Bank (AEFTFC, 1999: p. 188, point 428) was also one of the major causes of the Bank's ineffectiveness in its employment relations. In point 430 (p. 188), the diagnosis argues that the Bank's corporate culture did not encourage staff to improve themselves in order to achieve a better performance. This was partly because the performance evaluation system used for determining pay and promotion was based on the length of time an employee had worked for the Bank and the supervisor's judgement, rather than on the employee's actual competence and real job performance. In this context, the Bank also failed to recognise the importance of its Human Resource (HR) Department as a main agent to carry out effective employment relations.

Other employment relations problems were also noted by the AEFTFC (1999: pp. 190-191, points 436-439). As previously stated, the Bank's staff had always included



some of the top academics and practitioners of the country, and this had enhanced the Bank's status as a prestigious organisation. Moreover, the Bank had always had a number of scholarship students in work-related subjects (such as economics, finance, accounting and law) in many countries in Europe, the US, Japan and Australia. However, this did not necessarily mean that such academics and practitioners always had appropriate skills in matters concerning employment relations. This was because most scholarship students were sent to study in economics, finance and other related areas. Also, developments in terms of training within the Bank itself also needed to be improved. Training and development opportunities, for example in terms of training programmes available for staff, were inadequate. Indeed, the AEFTFC concluded that the BoT's overall management of its human resources needed urgent attention.

To place this official diagnosis in context, the following section will attempt to identify how employment relations in the BoT operated before the financial crisis by using the experience within the BoT itself to reproduce the issues discussed by the official diagnosis. It will show similar results in human resource-related problems in the old model. Most importantly, the old model did not recognise the importance of employee involvement in decision-making. Most decisions, even in human resource-related matters, were made at the executive levels. This in turn resulted in employees not daring to express themselves. Human resource-related activities were mainly to do with routines and day-to-day tasks. Moreover, the old model aimed to build trust relationships both in a hierarchical character, as well as at the peer level, in the organisation. A paternalistic, patronage system was in operation, so that relationships among staff were based on personal, rather than working, relationships. This does not mean that the existence of such a system was completely inappropriate. However, in

practice it meant that in some cases the actual performance of staff was not reflected in the performance evaluation process.

### *5.2 The Elaboration of the Official Report: The View from Inside the BoT*

This section considers the views of the Bank officials themselves on the issues discussed by the AEFTFC (1999) using data gathered from the BoT during the research fieldwork. This is an attempt to show how these issues were addressed within the Bank and how far they reproduced, elaborated and qualified the official diagnosis. The unpacking of the old model by using the BoT experience results in a more detailed analysis than in the official diagnosis. One of the interesting features in the old system is, although with the heavy emphasis on vertical power relations, deference and routinisation of junior staff's task, it gave a strong emphasis on a key group of experts in economic and finance-related areas. This means the experts took part in the hierarchical patronage system but they still enjoyed more autonomy and initiatives in their work than the average members of staff did. This also means that the role of the specialist was seen as crucial in the Bank and thus resulted in other areas, such as human resources, not being seen as priorities.

As the AEFTFC (1999) suggests, in terms of employment relations, the BoT needed to change its approach and practices. In fact, the reform of employment relations had not one but many causes, both internal and external. In this way, the need for reform became evident. This explanation, with its focus on a combination of both internal and external factors, was confirmed by several interviewees. For example, one high-ranking executive (Assistant Governor or above) stated:

The BoT's size is much bigger and outside pressures are now playing a more important role with us... The BoT in the past always paid more attention to best practices in its main areas of expertise, and neglected the development of HRM in the outside world. This was partly due to the fact that the status of BoT staff in Thai society was very high, so the staff were not in touch with the public outside. In addition, the staff tended to compete with each other, as they are all top academics of the country, rather than paying attention to issues like employment relations.

Most elements of the above quotation are similar to what were suggested in the AEFTFC's report discussed in the previous section. The BoT was well-known for recruiting the best personnel in every area. Therefore, being a part of BoT was seen by the public as having high status. Furthermore, the operations of the BoT were unique in Thailand, as there was only one organisation performing the central bank's task, so the BoT needed to build its own expertise and knowledge. This led the BoT staff always to believe in themselves and have little interest in what was going on outside the Bank, including in the development of employment relations in the outside world. In addition, because of the intense competition among staff in work-related matters, especially in economics and finance related areas, issues such as employment relations were neglected by staff.

Another staff member, one of the most important figures in the BoT's human resource system, took a similar view to the high-ranking executive quoted above. He too suggested that internal pressure (for example top people competing with each other)



and external pressure (the Asian financial crisis) together resulted in the current move to reform the Bank's employment relations approach. In particular, the prestigious status of BoT staff was re-considered by the public after the beginning of the crisis.

The BoT tended to believe in its precious status as the economic and financial expert for the country. Accordingly, all the BoT's staff were seen as leading academics and practitioners. This, therefore, sometimes caused the situation in which 'experts' were competing with each other and did not listen to each other. Then, the financial crisis resulted in outsiders re-considering the expertise of the BoT. Accordingly, the position of the BoT's staff was also re-considered, since they were given the role of financial regulator, with a high status in Thai society. The question arises: were these people the cause of the economic problems? It was found that, while their professional skills in finance and economics remained relatively high, their organisational and human resource skills were not seen as a priority.

Thus, in the view of this senior human resource manager, the effective operation of the Bank was hindered by the lack of cooperation among staff, and then the Asian financial crisis triggered the demand for reform by exposing the human resource-related problems within the BoT to the outside world. Furthermore, the source of this lack of cooperation among staff was believed to be poor management of human resources by the BoT's managers. Again, this suggested a need for more effective employment relations in the BoT. It was suggested that a more effective approach to

employment relations would result in the Bank's managers taking responsibility for dealing with their employees and thus seeing human resource issues as important.

Another interviewee, who worked closely on a number of reform projects within the Bank, agreed with this assessment; but also suggested that it involved a shared re-appraisal across the ranks of the Bank's staff:

External pressures, such as the financial crisis, are forcing the staff to look at themselves and to try to improve their work.

This was also confirmed by a report from the consultant firm responsible for the reform in employment relations at the BoT (a critical analysis of the consultant's report will be presented in Chapter 6). Their 'benchmarking' study suggested that in comparison with other central banks elsewhere in the world, the BoT's employment relations practices always ranked in the lowest category. In particular, there was no clear human resource direction or strategy, the Human Resource (HR) Department was not strategically positioned, and human resource matters were seldom taken seriously. The consultant's report also confirmed that the Bank's human resource practices lacked consistency and uniformity. A lack of customer-oriented thinking was also mentioned. The term 'transaction-oriented' was used to describe the HR Department's characteristics. The Department had always been given a much less significant role compared to other departments. This resulted in the HR Department's staff having a limited understanding of their work and its relations to the Bank's overall operations. At the same time, it was also suggested that the HR Department was overstaffed.

According to the BoT's manpower report of January 2001, the HR Department had 204 officers, including executives and non-executives, and the total number of staff in the Bank at that time was 5,138. Therefore the ratio of human resource officers to staff was approximately 1 to 25. However, according to one of the BoT's human resource managers with long-term experience in several leading private-sector companies, the ratio outside the BoT was much lower. This was because human resource tasks in outside organisations were typically delegated to line management and were not only the responsibility of the formal HR Department. Also, in the private sector the human resource tasks were normally incorporated in a computerised system of record keeping, with staff only overseeing the policy and strategic direction.

This section has offered a reproduction of the official report (AEFTFC, 1999) by using the BoT's own experience. As discussed earlier, clearly the financial crisis was a regional, if not a global, issue, so Thailand was not the only country affected by the crisis. Therefore, the role of the country's central bank, the BoT, was limited in terms of preventing such a crisis from occurring. However, a more effective system of employment relations at the BoT might have resulted in staff working together more effectively; and this might have eased the negative effects and consequences for the country's economy. Moreover, the official report (AEFTFC, 1999) only focuses on the failings of the earlier system of employment relations without explaining in any detail how these relations actually operated. The following section, therefore, aims to identify and discuss various features of the 'old model' of employment relations within the BoT, again by using evidence collected from the research fieldwork. The discussion will allow us to examine the strengths and weaknesses of the old model. In



later chapters, where the discussion of the BoT's new HRM programme will be offered, key features of the old model will also be used as reference points.

### *5.3 Key Features of the Old System*

In fact, the old model of employment relations in the BoT was essentially a functionary system by itself. The established style of employment relations was built around an authoritarian paternalism system, which fostered informal cooperation among staff, and a top-down hierarchy, rule-based, in the Bank's working system. To some extent, this proved to be successful in the past when Thailand enjoyed a period of high economic growth during the late 1980s and early 1990s, of which the BoT's effective operation was undeniably one of the main factors. The 'old' approach to employment relations did not yield any serious problem during that time. However, from the early 1990s Thailand issued regulations that allowed an easy movement of capital into and out of the country. This meant that from early 1990s until the present, Thailand has become increasingly integrated to the global economy. This has proved to be beneficial for Thailand in many aspects, especially through the abundance of inward capital investment into the country. However, at the same time, it has also been a problem because Thailand now relies heavily on the world economy for its economic development. As occurred during the Asian financial crisis, Thailand cannot control the outflow of capital from the country. Thus, pressures from abroad recently played a more significant role in the Thai economy. This includes the fact that employment relations policies now need to be coping with such fast changing conditions of the world economy. In contrast, in the past human resource managers of the Bank were not expected to intervene in the employment relations system; and the

human resource managers only managed specific detailed aspects such as recruitment and selection tasks.

Based upon the changed conditions of the Thai economy (see Chapter 4), human resources now need to be more flexible and multiple-skilled, with higher quality and potential to be able to work in many tasks under different conditions. This is why the BoT's management sought to find a solution to manage the Bank's employees more effectively. To introduce the now widely popular HRM programme was seen as an alternative to the 'old' approach. This was because, as discussed in the literature review of Chapter 2, HRM promises to increase employees' performance and commitment to the firm; and suggests that HRM policies would result in a better performance of the organisation as a whole. This new system requires the organisation of employment relations matters to be more proactive and interventionist.

There are several features that will be explored as parts of the BoT's old model of employment relations. But it is also important to bear in mind that such features were inter-related. Some of them may be in tension with one another; or some were very much part of one another. All the features had both strengths and weaknesses. First, in terms of work pattern, the BoT's nature of work resulted in top-down decision making and control (elite decision making), thus discouraged employees to take responsibilities, initiatives and risks. This was coupled by the concentration of expertise in economic and finance which resulted in the limited role of other professions, including that of HR specialists, within the Bank. This in turn led to the extent to which the old model was also defined in terms of routinisation of HR work, and, as a result, a lack of effective and coherent employment relations tasks.

Secondly, in terms of work relationships within the Bank, there was an emphasis on creating a 'family atmosphere' which led to personal relationships at work and personalised loyalty and deference by the use of vertical and horizontal patronage system. Lastly, the absence of collective identity among employees was evident.

#### 5.3.1 Elite Decision Making, Specialised Expertise and Routinisation of HR Work

The BoT's work aimed to regulate and monitor the financial sector of the country, and on these matters decisions were always made by senior executives and the Bank's committees. The dominance of top management's decision making instilled the attitude among staff that they did not have to take any responsibility in decision-making. For example, the most common situation the researcher experienced while working in the Bank was when junior staff simply agreed to call off a meeting if a supervisor was not available to attend. There was no attempt on the staff side to reach a decision on their own and then bring this decision to the supervisor's attention. This illustrates the obstacles involved in encouraging staff to take new initiatives.

However, it is also important to note that certain aspects of the Bank's work, especially in monetary policy and operation aspects, needs to be done at the senior manager level or above. This is due to the fact that some work, such as policy on currency exchange, needs to be secret from the public; policy like this cannot afford to be known before its appropriate time, for example certain people might be able to take advantage on the nation's currency market. However, as the focus of the present study, in terms of matters concerning employment relations, most of the Bank's human resource works did not need such secrecy. Many tasks, which could have been done at below executive level, were in fact done at a very high level, or even at the



top of the hierarchy. This proved to be a routine for many staff in the HR Department. Everything seemed to need approval from more senior managers. For example, things like results of aptitude tests from new staff, which were checked several times by both an outside expert and the Bank's staff themselves, needed to be approved by the Assistant Governor. This sort of situation proved to be time-consuming and used up much valuable time.

In general, human resource-related tasks were not traditionally seen as crucial within the Bank. Some of the staff saw the transfer from 'line' departments (for example Monetary Policy and Financial Market Operations) to the HR Department as a form of punishment. This was because the BoT's main operations concentrated on economic and financial tasks; thus non-economic and non-financial tasks were sometime seen as insignificant and as making only a limited contribution toward staff career development. As a result, some staff in other departments (outside HR) did not even bother to take human resource-related tasks seriously. Thus, according to one of the staff responsible for the cultural change initiative in a finance-related department, which was part of a new HRM programme, this sort of initiative was typically seen as unimportant and was thus neglected by others in that department. This was in line with the views of another line department's human resource manager who expressed concerns that in the department's executive meeting, human resource issues were always given the least priority. In some cases where time was limited, human resource issues kept being postponed to the next meeting. This in turn meant that the performance of human resource tasks was not so effective as it should have been.

Historically, a concern with employment relations has long existed in the BoT since its establishment in 1942. According to the current Bank of Thailand Act, the Bank's

Court of Directors must consider employee-related matters and ensure that they are in line with the needs of the Bank's operations. Therefore, the Court of Directors issues regulations governing such matters as rules and regulations related to the recruitment and disciplining of staff. The Bank's high-ranking executives (Governor, Deputy Governors and Assistant Governors) then issue orders to put the appropriate principles into practices. The HR Department is responsible for enforcing such regulations and orders, and recommending any necessary changes or any new appropriate regulations and orders to the Bank's high-ranking executives. As a result, as one of the managers told the researcher, the role of the Bank's HR function was always limited:

Traditionally, the HR function of the Bank only acted as a regulator and enforcer of human resource-related matters.

There was no problem in the past because the BoT's size then was much smaller than nowadays.

This points to the fact that, according to the definition of personnel management discussed in Chapter 2, the old model of employment relations in the Bank was similar to the characteristics of personnel management: employee-related tasks and functions were not strategically placed in line with the Bank's operations. Rather, the focus was on the routine administration of personnel matters and offering solutions to any problems that arose without developing a strategic approach that would involve creating new policies and seeking to prevent problems developing (Legge, 1978; Tyson, 1987). The researcher, while working in the human resource area of the Bank for the research fieldwork for this project, was also led to believe that many staff still see employment relations tasks as part of the process of day-to-day administration.

Employee relations and their management were not seen as crucial elements of management policy and strategy. This was confirmed by one of the managers from the HR Department, who noted that in the old model of employment relations:

People here [in the HR Department] had quite a relaxed working atmosphere. They were working on the 'defensive' side, solving the problems when they arose, and not taking any pre-cautions and any initiatives.

Another member of staff told a similar story:

The HR Department only worked on orders and on a routine basis, not daring to take any new initiatives. They stuck too much to rules and regulations, and never changed anything before they were told to do so.

As will be discussed in detail in Chapter 6, the external consultant's report on the Bank's old model of employment relations also confirmed the limited role of the HR Department. This report concluded that the BoT lacked any 'best practices' in its employment relations. In particular, the role of the responsible department, or the HR Department, needed to be improved. The Department's tasks needed to be made more coherent in relation to the Bank's overall operations. The consultant stressed that different employment relations practices were not sufficiently integrated.

Not only from the above evidence from interviewees and the consultant's report, but the researcher also had many opportunities in 'chatting' with a number of staff



members who also expressed concern about the 'defensive' side of the Bank's human resource work. According to the researcher's diary and fieldnote during his time at the BoT, the researcher was suggested by a number of senior managers and non-management staff members during several 'drinking occasions' after work that the relationship between the HR Department and the Bank's system of employment relations was traditionally rather vague. The Department seemed not to be the main agent responsible for the Bank's policy and practice on employment relations. Employee-related tasks were conducted on a routine basis, focusing on immediate needs such as filling vacant positions or improving staff's morale. The fact that the Bank, both its managers and staff in general, did not have human resource direction also resulted in a neglect of human resource tasks on the 'offensive' or proactive side.

This is paradoxical considering the fact that the BoT was always able to recruit high-quality staff because of its prestigious status in Thai society. While working there, the researcher always observed that most staff in the HR Department were capable and possessed considerable expertise. This can be illustrated by the fact that academically most members of staff were well-qualified. For example, an officer who oversees employee-related legal issues is a barrister-at-law. It has to be said that the researcher was involved mostly with active and proactive staff during the research fieldwork in the HR Department. He also observed that most managers in the HR Department, to some extent, tried to encourage their subordinates to become involved in the work-related matters.

Therefore, the question is how the old system of employment relations operated in this respect. As stated earlier, the majority of staff did not pay much attention to employment relations matters because they always considered their main tasks,

economic and finance related areas, as priorities. Meanwhile, the Bank's human resource tasks concentrated on administrative and routinised issues. Therefore, although staff might be skilled and capable, the nature of BoT's human resource work was not challenging enough for staff to be able to work enthusiastically: and this issue was made clear by a number of HR Department's staff members. This was partly due to the fact that the human resource system did not encourage staff to be proactive in human resource issues.

### 5.3.2 Family Atmosphere, Patronage and Deference

Furthermore, one of the most important features in the BoT's old model is the family atmosphere. According to several information sources, the Bank seemed to focus in the past on supporting a 'family' atmosphere at work in order to stimulate teamwork among staff. One of the high-ranking executives saw this as a feature which had both strengths and weaknesses:

In the past, we had a family atmosphere here; this built teamwork to some extent, although it also led to the fact that the staff's real performance was sometimes not reflected in their promotion and pay because of the patronage system.

In order to build teamwork in an informal way, the BoT management focused on the issue of building working atmosphere as if the Bank's member of staff were parts of the same family. This 'family' atmosphere was liked by many staff. For example, another member of staff, one of the departmental secretaries, who had worked in the

BoT for several decades, also highlighted such a family atmosphere, but was also critical of the consequence of the decline of this characteristic:

In the past, I felt like we were working like a family here.

But such an atmosphere is beginning to fade out; things are much more serious nowadays.

The researcher's own experience as an employee of the Bank confirms these impressions. The working atmosphere was really like a big family. The Bank's staff used language that was expressive of being involved in close relationships. There was also an emphasis on vertical relationship. Authority patterns in the Bank resembled that strong social class and status of Thai society where every organisational member was aware of their own 'rank'. Juniors needed to obey seniors, while the responsibilities of seniority were also emphasised. For example treating a newly recruited staff member by buying her/him lunch was a tradition, and as a result the researcher found that, even though he did not have the status of a permanent employee, it was only on a few days during the first month of working at the Bank that he had to pay for his own lunch.

As a result of the concentration on family atmosphere, the role of the vertical patronage system in the BoT was evident in the old model of the Bank's employment relations. This created a family atmosphere based on the principle that 'father rules'. This meant that the staff sometime perceived their supervisor as a 'fatherly' figure. Many senior officers, including direct supervisors, gained the trust of staff by giving advice in both work and non-work matters. When such senior officers advanced in



their careers, this fostered an extension of the patronage system and paternalism between such officers and their staff through the sponsorship of juniors.

According to the discussion in Chapter 4, a traditional system of authoritarian paternalism and patronage system were commonly and strongly evident in Thai organisations. This was believed to perform the role in increasing employees' loyalty and commitment. The patronage system was based on the belief that employees would work effectively because they owe something to their bosses, who in return offer them help, even in non-work matters. BoT's employment relations, in the past and to some extent today, depended on this pattern of patronage and deference (a result of authoritarianism) to provide a link between the performance and loyalty of staff. The Bank's old model of employment relations clearly followed the style of hierarchical Thai society as suggested by Holmes et al. (1996) by emphasising vertical, personal relationships and authorities between managers and employees as a basis for commitment and loyalty from staff.

In addition to the vertical relations where the relationships of superiors and subordinates were very important, the old model also emphasised horizontal patronage relations in terms of peer coaching. The BoT's staff members, rather dependent on written and bureaucratic rules, sometimes learnt the roles they played by learning from others who performed similar duties at a same level. Data from interviews with a number of staff and managers in the BoT revealed that the Bank had encouraged informal work relationships through the use of a peer coaching system. The Bank used the coaching system among staff as a means of mutual support in work-related matters. Informal relationships among staff were fostered this way, and the advantage was that staff might be willing to learn from their colleagues rather than

learn in a formal training programme or learn from their superiors. However, in this respect of coaching among staff, the performance of newly recruited members depended to a great extent on another staff's ability to 'coach' them in their particular job. Several interviewees, with varied lengths of service, agreed on this. The first interviewee, who was one of the managers, stated:

Coaching by another staff member was very important in the BoT. There was never a working manual; if you were new in the task, you got to have someone to teach you. So it depended very much on whether you have anyone good teaching you or not.

The above quotation implies that the patronage system in the Bank depended not only on the need for a patron but on the need for a *good* patron. Nevertheless, the difference now is that in the past the system was based on 'peer' coaching, while under HRM policies of the new HRM programme coaching is now seen more as a management task. Under the new HRM programme, as will be discussed in later Chapters, formal training and development programmes now play a more significant role within the Bank. In terms of informal coaching, such as on the job training within one particular team, nowadays managers have more responsibility in coaching staff than in the past. One interviewee, who is one of the senior staff of the Bank, described her experience:

My department used to have a buddy system in terms of job coaching; so there were always at least two people in one team who had expertise in certain areas. This helped when

one of them was not available. The remaining one was still able to coach the newcomer, who thus had a new buddy.

A newly promoted junior manager added:

There is now more emphasis than in the past on the increasing role of managers to coach and counsel their own staff, instead of staff coaching each other.

What are the respective advantages and disadvantages of the previous and present arrangements? As discussed above, peer coaching, as a part of horizontal relationships within a 'family atmosphere', resulted in an informal sharing of expertise and informal bonding among staff, which in turn led to informal cooperation and teamwork. As suggested by several interviewees, although the emphasis on informal working relationships proved to be an advantage in some respects, especially where such an informal relationship sometimes allowed work to be done faster and easier, this process also had more negative features. The effectiveness of the peer coaching system was undermined by the lack of a working manual within the Bank, especially in terms of practices for employment relations tasks. In this area, a proper working manual has only recently been produced. No matter how effective the coaching system, a proper working manual is still needed. Such a manual does not only help staff to ensure work procedures are transferred properly to new staff, but having a manual also helps when the Bank needs to update and change its procedures.

For example, according to an economist, the peer coaching system without a proper working manual sometimes caused major complications. Often an employee who



knew a particular task in the team was transferred to another department. The remaining team members, including the team manager, did not know how to perform that particular job properly. The team therefore had to invite the transferred staff member back to the team to explain the task. The situation would have become even more complicated if the transferred member of staff had left the Bank. However, according to the same economist, the main advantage of peer coaching was that she was more willing to ask questions and participate with peers than with supervisors. This system also fostered informal relationships between staff members because she (the economist) had to spend more time with her colleagues. This resulted in more cooperation at work because she and her colleagues got to know each other much better after had spent time learning new things together.

On the one hand, personal relationships in the BoT were not essential but did prove to be an advantage in terms of working relationships. For example, the researcher's own experience suggests that cooperation at work was much easier if the researcher had a good personal relationship with other staff, especially with those of different departments. It also seems to be the same with line departments, according to another member of staff who had to have frequent contacts with different departments on work-related matters. This staff suggested that having a personal channel for contact made work much easier and faster because he did not have to go through formal procedures which could be a very time-consuming process.

On the other hand, in some ways personal relationships proved to be disadvantageous for the Bank. For example, as stated earlier in the quotation from one of the high-ranking executives, sometimes under such personal patronage relationships at work, staff evaluation results did not reflect their real performance because of supervisor's

bias. Moreover, according to one of the Bank's managers, who had work experience in both line departments and in the HR Department, personal working relationships in the past also led to the situation of 'empire building'. Although personal relationships proved to make work easier and faster in some cases, there were also cases where personal relationships appeared to be compulsory in order to get the work done. According to the same manager, in the past there were some managers who had their own 'empire': protecting access to their work from outsiders. If an outsider, that is a member of staff who did not have a personal relationship with such executives, wanted assistance, even in work-related matters, that outsider needed to ask for a 'personal favour' instead of following formal procedures.

The BoT clearly adopted the traditional Thai style of management where an authoritarian paternalism was used, with the support of both vertical and horizontal patronage systems within the organisation. Together with the 'family atmosphere', the emphasis on hierarchy and rules from authoritarianism also resulted in the fact that when certain executive staff were in the same position for a long period of time, they obtained authority through personal respect from subordinates and formal authority from their executive rank and position. While informal relationships fostered cooperation among staff to some extent (horizontal), and emphasis on rules and hierarchy also strengthened the authority of line management (vertical).

In fact, apart from family atmosphere, the Bank has also used some other practices to patronise staff; and such practices are still ongoing even under the current reform of employment relations. For example, the Bank has also fostered its patronage system through the provision of generous welfare and other benefits to employees. First of all, there has been the system of lifetime employment for the Bank's full-time staff.

Staff can expect to stay with the Bank until their retirement, except in certain circumstances such as the employee's death, resignation or a severe violation of regulations. Although there is now a more systematic performance evaluation, which is linked to salary increases and career development, according to one of the Bank's human resource managers who is responsible for the new evaluation system, it remains almost impossible for anyone to be fired because of poor performance. The element from the 'old' model is still evident: the Bank tends to 'look after' all of its staff as though they are members of one family. According to one of the newly recruited staff members, one of the reasons why she moved from a private-sector employer to the BoT was that this move offered greater job security, especially in this time of uncertainties in the Thai labour market due to the pressures from the 1997 Asian financial crisis.

In terms of pay, although the Bank's average salary bears no comparison with that of a private firm, it has been higher than the average rate in the Thai public sector. For example, with a bachelor's degree, a person can start working for the Bank at a salary which is about 20-30 per cent higher than that of someone working in one of the government ministries. Moreover, according to the Bank's regulation on employees' welfare and benefits, as well as having a provident fund after retirement, a retired employee who has worked for the Bank for at least 25 years or who is 55 years old at the time of retirement, may enjoy the medical benefits of full-time staff for the rest of that employee's life. This benefit also covers that employee's spouse. Such medical benefits include the costs of all medicines and treatment in hospital. Also, the Bank lends money to employees in many circumstances, for example when they wish to buy a car or a house. Such benefits are also extended in many cases to the family of an employee.



Nevertheless, under the reform of employment relations (or the 'new' model), the patronage relationships between the Bank and its staff, and among staff members themselves, are now under threat. As suggested above from some interviewees, although peer coaching is still evident, the new HRM programme now places considerable emphasis on formal training and development programmes and the role of managers in coaching. Family atmosphere is still evident; but, as suggested by one of the above interviewees, it is beginning to fade out. This is a result of a new performance management system, where performance is linked to staff's career advancement and pay. Therefore, staff nowadays mainly concentrate on their own work performance rather than on personal relationships.

For example, the Bank is trying to 'de-personalise' the relationship among staff members by trying to encourage staff members to have a 'customer-oriented' mind. Similarly to the official diagnosis (AEFTFC, 1999), one of the Bank's human resource managers told the researcher that in the old model, because of their work characteristics the Bank's staff never pursued customer-oriented thinking<sup>2</sup>:

The BoT has never been associated with the term 'customer' in the business sense, since it has long been the financial regulator of the country. 'Customers' in the private sector means everything: they are the ones who give us money, providing salaries and welfare for staff. The nature of the BoT's work as regulator and researcher forces them to

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<sup>2</sup> Although the BoT has never had a customer as in the normal business sense, it is implicit that the 'customers' of the BoT are those for whom the Bank provides services, commercial banks and finance companies that are operating in Thailand, as well as people who live in Thailand more generally. The BoT also has 'internal customers': the members of staff within the Bank, who may require certain services from different departments.

behave like that. This kind of culture has thus been cultivated over time. Nevertheless, nowadays the Bank has to adjust itself to the changing world... 'Customer service' is important now.

One of the Bank's managers also told the researcher that:

I now keep telling subordinates that they have to adapt themselves to changing conditions: you have to improve your work and take into account your customer satisfaction. If staff receive good feedback, they would realise that they have come the right way.

In some ways, instead of internal personal contact, the notion of a 'customer-oriented' model now wants a sort of 'de-personalised friendliness' from employees. From this notion, employees need to be friendly with and help everybody; no longer is it the question of the reliance on personal obligation, both vertical and horizontal. However, this 'de-personalised friendliness', which is required under the new HRM programme, is actually difficult. To be friendly to everyone, and employees need to pretend that they really mean it, is quite wearying and putting a considerable demand on people's personal identities. In a sense, what this new model is asking people to do is to 'manufacture' friendliness, rather than being genuinely friendly. The question is whether this rather sort of idealised model is going to help the organisation. In fact, this weakness of the new model points to one of the advantages in the personalised relationship of the old model.

### 5.3.3 The Absence of Collective Identity among Staff

Another distinctive feature within the BoT was the absence of a sense of collective employee identity among staff. Although the positions of departmental representative exist, and there was a collective forum for the representatives to meet with the Bank's management, nevertheless the staff's collective identity had not been evident in the context. An interview with one of the employee representatives yielded valuable insight on this issue. It is first of all important to note that Thai law prohibits the BoT's employees from forming a labour union, and this inevitably weakened the collective organisation of the BoT's staff, since there was no opportunity for the staff to take part in collective bargaining. The nature of the BoT's work as a financial regulator and supervisor was such that everything was done to ensure that the work cannot be interrupted by any type of industrial action, since this would damage the country's economic and social conditions. However, the Bank still had a representative from each department who acts as a link between the management of the Bank and the staff. One of the most active staff representatives said:

We represent staff in communicating with high-ranking executives of the Bank. If staff want to suggest anything to the high-ranking executives, they can do so through us. At the same time, we also represent high-ranking executives in looking after staff's well-being. Although the Bank has the HR Department and departmental human resource managers to look after employment relations matters, we are more like an informal channel for employees to voice their concerns. I think we can do it faster because we are not bound very much by rules and regulations as in normal HR functions...



We do not take part in collective bargaining. There used to be a joke about us saying that our jobs are only to provide trips and insurance for employees.

It was suggested that employee representatives acted more like a communication channel between staff and high-ranking executives of the Bank, instead of serving to facilitate collective organisation, representation, or bargaining. In fact, the last sentence of the above quotation reflects the fact that the role of employee representative was not seen as crucial in the Bank's operation. The representatives did not have authority or any method at all to intervene in work processes. The representatives did not operate in terms of a labour union or worker association in terms of collective bargaining. In fact, its role in communicating with high-ranking executives overlapped with various channels through HR functions. In order to voice their concerns, for example, staff could easily do that through a direct anonymous letter to the Governor, under the 'Letter to the Governor' programme. In addition, the representative did not even offer a kind of counselling for staff. In short, the representative role did not include any significant activities that would result in staff perceiving the employee representative role as necessary.

However, according to the same employee representative, she defended the above point:

And why is our role not so important? This is because each representative from each department seems not to be willing to act as a representative. Managers just pick whomever they see fit to become a representative. This results from the fact

that the representative's tasks are not clear; nor is it clear whether their roles have any crucial impact on the Bank. In addition, people are always afraid that the representative's job will take up a lot of their time so that they cannot perform their normal jobs properly.

In fact, the reason that both executive and non-executive staff saw the representative role as insignificant was because the position itself did not offer any role or task worth taking, as stated above. The role of the representative was neither collective bargainer, since the law does not allow it, nor the main channel of communication between executive and staff, since this was taken care of by various means such as the position of departmental human resource manager and the role of HR Department. The job description of the representative was not clear, resulting in staff being reluctant to take part in this role. In addition, the various nature and characteristics of the 'office' jobs within the BoT, such as economic research in the Monetary Policy Department, strategic planning in the Planning Department, or computer programming in the Information Technology Department, does not encourage staff to have a shared collective sense.

However, it is also worth noting that the role of employee representatives was seen differently in the Bank's manufacturing work. As one member of staff from the factory of the Note Printing Work (NPW) pointed out, there was an exception in the case of the NPW. The NPW attached more importance to the role of employee representative. For example, it had its own election system for choosing a representative. This was related to the fact that employees working in the NPW have different backgrounds and job characteristics from the rest of the Bank. In general, the

manufacturing work involved in this factory helped form a collective sense among employees who worked on similar jobs under similar conditions, which are physically tougher than the conditions of office work. The sense of 'togetherness' was stronger. This in turn meant that there was a higher level of awareness of collective power. One interviewee, who had worked in the NPW for some time, explained that the NPW had its own system of one representative from each section in the factory. These representatives meet once a month and discuss all the work-related issues, ranging from problems to anything workers need.

#### *5.4 The Transition from the Old Model: A Complex Pattern*

It is important to stress here that some practices from the old model are still used in the Bank nowadays, especially those practices that have not yet been touched by the reform projects. As can be seen from the above discussion, many features of the old model are still evident under the new HRM programme, for example the generous provision of welfare and benefits. Most importantly, the BoT's reform of employment relations was not a process of simply replacing the 'old' model with a new one; it involved a complex pattern of change. This is partly due to the fact that, at the time of writing this thesis, the reform is still ongoing at the BoT. The reform first started by diagnosing the BoT's existing practices in employment relations, then determined high-level human resource strategies and directions for the Bank. (The details of the proposed reform will be discussed in Chapter 6.) However, the last stage of the reform, the implementation stage, is still in progress, especially through a human resource reengineering project and cultural change initiatives in various departments. Many practices, in particular the procedures in human resource-related activities, are still the same as in the pre-reform period.



The question here is how far the elements of the 'old' model were repudiated in the 'new' model (see the discussion of the 'new' model, or the BoT's new HRM programme in Chapter 6). In fact, this is an extremely complicated issue and the answer is not yet clear. For example, authoritarian management prerogative was repudiated rhetorically although not necessarily very effectively because the high degree of authoritarian management prerogative still remained under the new HRM programme. Patronage was quite strongly repudiated in favour of more meritorious system, although there was also evidence that the new patronage system was also quite selective in terms of focusing on the minority of staff with high potential and performance (see details in Chapter 7 and 8). Specialist expertise was not repudiated, although there was an emphasis on people being 'less specialist' in such expertise through the Bank's greater emphasis on 'soft-skill' (for example presentation and meeting techniques) and multiple-skills training. Family atmosphere was still there, but not as 'cosy' as in the old model, because the new performance management system linked employees' performance to pay and career advancement. To some extent, there was an attempt to discourage personalised relationships. However, at the same time elements like generous welfare and benefits remain from the old model. Therefore, when one looks at the reality of 'moving' the organisation, one never looks at the 'old' versus the 'new': one always look at a more complex pattern of change.

One of the interesting examples about the complicated pattern of the transition from the old model is from the situation of the Bank's scholarship students. The BoT has always had a programme of scholarship student as a mean to develop and train its own personnel by sending them to study in the relevant areas of the BoT's operations such as finance, economics and accounting. This scholarship programme has also

been seen as part of the Bank's patronage system in providing further education for staff, and this scholarship element still exists under the new HRM programme. However, in reality the scholarship staff members were usually perceived by managers as having a higher status than non-scholarship staff. As one of the high-ranking executives told the researcher:

We have had a number of scholarship students from foreign institutes came back to work for us, and they have brought many ideas and experiences with them.

In fact, the pressures brought in with the scholarship students sometimes proved to be problematic. Some of the previous scholarship students were seen as rather aggressive and arrogant staff, and, for example, did not pay much attention to shared norms and values within the Bank, such as in terms of deference. This may be more common in a Western society where, for instance, a student could argue with a teacher in issues concerning their study. However, this is extremely rare in Thai society. In terms of work relationships, therefore, junior staff always listened to the older generations, even if they (the junior staff) did not always believe what they were told. However, a 'new generation' of staff, the staff who used to be the Bank's scholarship students, brought in new ideas and practices similarly to a Western workplace where, for example, a more professional and non-personalised work relationship are emphasised. In fact, this 'de-personalised' process has increased within the Bank. This is because it has involved other staffs not only the Bank's scholarship students, as there has also been an increase in the number of staff who went to study abroad on their own funding arrangement. This does not mean that such a process of de-personalisation of relationships among staff was necessarily negative, but it did conflict with the existing

characteristics of the BoT in building work relationships through the creation of patronage and dependency relationships within a broader 'family atmosphere'.

In addition, according to what the researcher experienced himself at the Bank, staff who were scholarship students tended to have a higher status than the non-scholarship ones. This was reflected in the fact that most of the critical positions in the Bank, such as high-ranking executive positions (Assistant Governor and above), were occupied by staff who used to be scholarship students of the Bank. Not only that, the researcher was told that, until the practice was recently cancelled by the Governor, it was normal to indicate which staff were scholarship students in formal notices regarding promotion of staff to an executive position. According to several members of staff, the importance of this practice was that the Bank's management would be able to know that this was a previous scholarship student who needed to be given special consideration in terms of promotion. It can be seen that this type of practice represented a form of elite patronage and it certainly demoralised the majority of staff who were not scholarship students. Although this practice had recently been cancelled, the status of scholarship staff was still widely known and regarded as having a 'brighter' future than staff members who were not the Bank's scholarship students.

Even under the new HRM programme, this scholarship patronage, together with other features of the patronage system such as generous welfare, are still evident. However, there is a potential dilemma that could arise, and the new HRM programme still does not have any appropriate means to deal with such a dilemma. For example, scholarship students can be seen as part of the patronage system as well as a challenge to such system. On the one hand, these scholarship students are directly challenging



the structure of deference, for example they are more willing to criticise their superiors. They are also resented by other staff members though because they are pulling down the structure which people are familiar with. Also, although they are no longer deferential, they remain beneficiaries of patronage of scholarship, which leads to further resentment and demoralisation on the part of other staff because the scholarship students seem to be treated in a more favourable way. Therefore, if we talk about the relationship between scholarship students and the Bank's existing institutional arrangements of patronage, a complex pattern emerges. Scholarship people are undermining the deference by not being deferential and at the same time undermining the patronage system not by undermining it directly but by being seen as too obviously the beneficiaries of the patronage.

### *5.5 Conclusion*

This Chapter presents the discussion aiming to show characteristics of employment relations within the BoT before the reform, or the 'old model'. According to the official diagnosis of the 1997 financial crisis in Thailand, it was argued that if a good system of employment relations had been in place during the financial crisis, the Bank's members of staff and its management would have worked together much better. This might have led to milder consequences of the crisis. In terms of internal factors, the official diagnosis suggested that there were a number of characteristics in BoT's employment relations that led to disharmony among members of staff. The Bank also had no appropriate means to solve human resource-related problems and to motivate staff to work more effectively. The lack of an appropriate role for the Bank's HR Department was also evident.

This Chapter has also investigated beyond the official diagnosis by using data and evidence collected during the research fieldwork at the BoT to re-construct how the old model actually operated. Features within the old model all had strengths and weaknesses, and all of them were inter-related. Features such as elite decision making, specialised expertise, and routinisation of HR work formed the work pattern and structure of the BoT under the old model. At the same time, features such as family atmosphere, patronage system and deference, were emphasised in terms of personalised relationships among staff members even in work-related matters. The absence of the staff's collective identity was also evident, with the exception of the factory of the Note Printing Work.

It is also crucial to underline the fact that in practice and in terms of current operations, what we have got from the discussion in this Chapter is a quite complex sort of mixture. It was not a simple process of the 'old' versus 'new' model. Rather, the process of change from the old model of employment relations to the new HRM programme (which will be discussed in Chapter 6) involved complicated patterns, as can be seen from the above example of scholarship students.

## Chapter 6

### THE PROPOSED REFORM OF EMPLOYMENT RELATIONS IN THE BANK OF THAILAND

This Chapter attempts to identify and critically evaluate the rationale and the main stages of the proposed reform of the Bank of Thailand's (BoT) employment relations. The reform of employment relations was done mainly by introducing a new 'human resource management' (HRM) programme through the development of new human resource policies. The reform was categorised into three stages as suggested by the external consultant, hired by the Bank as a responsible agent of reform. This Chapter aims to show that both the Bank's new HRM programme and the role of the external consultant were problematical and resulted in some major problems. Indeed, the timetable of the reform as suggested by the consultant and the actual timetable of the reform process were different, especially in relation to the implementation stage. Even now (at the time of writing this thesis – early 2002), the implementation of new human resource policies is still not complete.

As the role of the external consultant was evident in the reform of employment relations in the BoT, it is first necessary to point out that this study will discuss the term 'consultant' in two different meanings. The first meaning will refer to the 'consultant' as a company, and in fact there was more than one consultant company involved in the reform of the BoT's employment relations. There were many aspects of the reform in the BoT during that time. The reform included almost all operational (non-managerial) aspects, such as reform of the financial operation of the Bank, and managerial aspects, such as reform of employment relations, which is the focus of this



study. The second meaning of the 'consultant' means the people or representatives who were performing the functions for the consultant company. In this second meaning, there were both senior and junior consultants involved. The senior consultants were the embodiment of the company, acting as a leader to junior consultants who were doing the actual work for them.

A key issue in this Chapter is whether the reform strategy suggested by the external consultant was justified. In order to formulate a proposal for the reform of employment relations, the consultant carried out some research at the BoT. Prior to the development of new human resource policies for the Bank, the consultant produced a report benchmarking the BoT's employment relations policies and practices with reference to other central banks around the world. As will be discussed in this Chapter, the consultant's approach can be criticised in many ways. The main criticism is the idea that the consultant was applying a rather standard template or recipe and rather idealised HRM programme for the BoT. There was a utilisation of a schematic and idealised prescriptive template which, first, draws in a rather generalised way on supposed exemplar central banks and, secondly, does not address tensions, dilemmas and alternatives that might arise from the practical implementation of these prescriptions

Thus, this particular Chapter is also concerned with the role of the external consultants in providing the rationale and assistance in the introduction of a 'generalised and idealised' HRM programme for the BoT (see this study's analytical framework in Chapter 2). The reform was seen in terms of certain anticipated benefits or outcomes, such as an increase of employees' morale and better organisational

performance for the Bank. However, as will be discussed in the course of this Chapter, it appears that the consultant's approach to reforming the Bank's employment relations through the introduction of the HRM programme was still problematic in some ways. In particular, the reform did not go according to plan. In addition, the new HRM programme itself also adopted an extreme unitarist approach. If both the programme and the consultant had pursued a less unitarist and more pluralist approach, the reform might have been more successful. This has also resulted in some mixed responses from managers and employees toward the reform, which will be discussed in chapters 7 and 8 respectively.

This Chapter is organised as follows. First, the rationale of the BoT's reform in employment relations will be discussed. The reform was categorised into three stages: diagnosis of problems, development of human resource policies and implementation of such policies. Secondly, the discussion of the rationale will be provided. This section includes a detailed discussion of each stage of the reform. The third section will present the assessment of the consultant's role in the reform in employment relations. The fourth section will present the relationships between the BoT's members of staff and the consultant. Finally, a conclusion will be offered.

### *6.1 The Rationale of the Reform*

As explained in Chapter 4 and 5, a combination of external and internal pressures forced the BoT to reform its operational approach and practices, including those in the field of employment relations. The strategy adopted by the management was to hire several external consultants to be responsible for different aspects of the reform. In particular, the rationale was for the consultant to bring in 'international best practices'

in order to modernise the Bank's system of employment relations and to enhance its effectiveness. The consultant was seen to have up-to-date knowledge and skills that would form a basis for the successful transformation of the BoT.

However, in practice, in terms of the reform in employment relations the consultant only acted as 'thinker' and 'catalytic agent', recommending appropriate changes to the Bank and mentoring the Bank's staff during the reform process. This is because, especially in the development of new human resource policies, the Bank's staff were responsible for most of the necessary work. The reform was carried out through a number of different projects (for example, the human resource strategy development project and the project responsible for designing and implementing the new performance management system), with representatives from the consultant and several members of the BoT's staff as project members. The Bank's staff performed the actual work of the projects while the consultant recommended and assisted as necessary. This, the BoT's management argued, would result in a transfer of knowledge and skills from the consultants to the Bank's staff, who would then be able to assist and suggest specific changes to the consultant firms – changes which they (the staff) would then be able to implement. In addition, the team members worked on the reform process under the supervision of a steering committee, which was responsible for monitoring the progress of all reform projects in the Bank. This committee consisted of all the Bank's high-ranking executives (Assistant Governors and above), and several officials from the Modernisation Programme Office.

In terms of the reform in employment relations, the main purpose of the reform was to improve the human resource practices in the Bank. This included establishing the



Bank's human resource policies, as well as improving existing human resource practices in line with the new policies. The 'Human Resource Management' (HRM) programme was brought in by the consultant, who regarded certain HRM principles and practices as crucial. These policy templates were thus brought to the BoT, and attempts were made to implement them.

The reform of employment relations in the BoT was categorised into three stages, each involving several working projects. The first stage involved the 'diagnosis' of the Bank's then current situation in terms of policies and practices of employment relations. It also included the study of the approaches and practices of different systems of employment relations in other central banks and some selected leading Thai companies. This resulted in a benchmarking of employment relations practices that was then used to analyse what needed to be improved in the BoT. The first stage of the reform also required the identification of various projects as tools for implementing reform.

The second stage of the reform focused on the development of a high-level human resource direction and strategy. This included the establishment of the BoT's human resource 'vision', 'mission', 'guiding principles' and 'policies'. In this particular stage, the researcher had the opportunity to be involved as a member of the project working team (see the detailed discussion of this project below). The management intended that these new human resource policies would be used as a guideline for stage three, which involved the implementation of such new policies into newly improved human resource practices and procedures.

According to the model of organisational change discussed in Chapter 2, some elements from the frameworks suggested by Kochan and Dyer (1995) and Storey (1992), can be seen in the transformation of the BoT's employment relations from the 'old model' to a new HRM programme. The search for 'world-class' benchmarks was conducted in the first stage of the reform, together with the identification of principles or requirements that must be met in order for the reform to be successful. These features are in line with the steps of change suggested by Kochan and Dyer (1995). Moreover, according to the organisational change model suggested by Storey (1992), the BoT's reform seems to fall into the Type I category of top-down and systematic change. From the management point of view, the BoT was in need of reform and employees' view were not consulted. The management tended to suggest what they thought were 'best' for the BoT. This suggested a top-down approach, and the HRM 'package' as offered by the consultant as a solution.

In fact, the development of the BoT's human resource policies was largely based on the experience of the Malaysian central bank (which the consultant claimed to be their previous client). The consultant presented the work previously done for the Malaysian central bank; and indeed used this work as a prototype for the BoT project. In addition, the solution to the problem of an ineffective system of employment relations, from the consultant's point of view, was to be found in the creation of a high-level strategy and the identification of new practices in line with this strategy. However, the situation was more complex, since, first, the reform did not go according to plan because of several problems. Secondly, there was evidence that the consultant firm was unduly influenced by its work with its previous client. Thus in

some ways the consultant failed to design a specific package geared to the needs of the BoT.

The emphasis on 'Type I', top-down approach, of change (Storey, 1992), and the fact that the BoT's new human resource policies were based on the experience of another central bank, underline the focus on a unitarist ideology in the consultant's work for the BoT. It is necessary to stress here that this study is not entirely opposed to the idea of unitarism, since unitarism also has its own advantages, for example it allows faster decision-making than in the case of pluralism, since the latter requires the involvement of other parties. However, this Chapter focuses on the excessive managerial focus in the proposed BoT reform of employment relations. We wish to argue that if the consultant had pursued a more pluralist approach, then the reform would have involved less problems and barriers, especially in terms of the negative reactions from employees.

## *6.2 The Discussion of the Reform's Rationale*

The BoT based its reform of employment relations on the introduction of the HRM programme. As suggested in several of the models of HRM discussed in the literature review, the key theme was the notion of integrating human resource strategies and practices with the firm's business direction. The intention of the reform was clear: in order for the BoT to achieve a better performance, its human resources must be managed effectively and in line with the Bank's business strategies/directions. However, the first limitation of such a rationale is that there is no clear relationship between better employment relations and better organisational performance. As the BoT is a non-profit, public organisation, this is a particularly complex question to



which the consultant responsible for employment relations reform did not provide a satisfactory answer. There was an assumption that adopting the new HRM programme would automatically result in a better performance for the BoT. However, the consultant did not provide any concrete evidence for this view.

During the three stages of the reform of employment relations, many new approaches, initiatives and practices of HRM were brought into the BoT. For example, as stated above, the 'benchmarking' method was used to identify other HRM practices in other central banks. There was also an attempt to link the Bank's new human resource policies to the Bank's overall strategy, as recommended in most of the literature on HRM (see the literature review). New initiatives, such as the cultural change programme, aimed at enhancing employees' commitment to the Bank, were also introduced. Widely-used practices of HRM in linking performance to pay and promotion were also emphasised.

#### 6.2.1 The First Stage

According to the report produced by the consultant firm responsible for developing the Bank's new human resource policies (presented to the HR Department's executives on 7 October 1999), the activities that had taken place in the first stage of the reform were 'done in conjunction with other key strategic initiatives of the change programmes' (p. 5). Such activities in this stage concentrated mainly on diagnosing the existing employment relations practices of the BoT. There were five aims of this 'diagnosis' by the consultant: 1) to understand world-class HRM practices; 2) to understand the BoT's current human resource practices; 3) to understand the HRM practices of selected companies in Thailand; 4) to understand the HRM practices of

selected central banks; and 5) to analyse the gap between the BoT's practices and the 'best' practices.

According to the same report, the consultant's methods of study for each of the five 'diagnosis' areas were as follows. First, the consultant suggested that the information about HRM best practices could be obtained by 'gather(ing) information from [consultant's name]'s HRM best practices database' (p. 14). However, the meaning of this claim is not transparent and deserves critical examination. Does the consultant's 'existing database' refer to the consultant's previous experience with other clients? Or does it simply refer to information about HRM best practices from available textbooks? The source of information of these best practices was not disclosed anywhere in the report. Not only that, as discussed earlier, the consultant did not explain how the 'HRM best practices', and the new approach to employment relations for the Bank, could lead to a better organisational performance for the BoT.

Secondly, in order to understand the BoT's current human resource practices, the consultant interviewed key staff of the Bank's Human Resource (HR) Department, as well as 'key practitioners/users' (consultant's report, 1999: 14), such as other staff in the HR Department and members of staff in other departments, and reviewed human resource rules, procedures, documents, forms and processes. The result of the 'diagnosis' in this area was that the BoT's existing employment relations practices were not considered to be up to the standard of 'HRM best practices', as defined in the first area of diagnosis. In particular, the BoT's practices in recruitment, training and development, performance management, compensation, and organisational

development, were all seen by the consultant as making a limited contribution to the Bank's operations.

However, if we consider in detail each element of the consultant's criticism of the BoT's then current employment relations practices, some vital questions emerge. For example, according to the same report, the consultant claimed that the BoT had limited evidence to show that training and development were linked to achieving business goals. However, the BoT was not the only organisation to experience this sort of problem with training and development. In fact, even the relationship between training and development programmes as part of HRM programme and organisational performance is not clear. Later in the reform, when numerous training and development programmes were available to all members of staff, some staff did not feel that their work performance could increase even with such intensive new programmes.

In fact, most of the consultant's criticisms of the BoT's then current employment relations practices did not have concrete evidence to support them. Statements like 'compensation is not clearly linked to business goals', 'recruiting is not well coordinated and leveraged on a company wide basis', or 'organisational development staff has limited understanding of business', appeared in the report (p.16). However, none of these statements had concrete evidence to support it and all tended to assume that 'clear linkages' could readily be created. In practice, the consultant had very limited time to study the BoT's employment relations system, and indeed had limited sources for obtaining information, concentrating mainly on interviewing selected



staff. The consultant was not involved in working process within the BoT and thus it was not easy to gain reliable 'inside' knowledge from staff.

Thirdly, in order to understand the HRM practices of selected companies in Thailand, the consultant's method was to interview key selected managers in some leading Thai firms. Again, this raises the question of the reliability of limited sources of information based on highly selective interviews. As the consultant suggested, the interviewed managers were from 'selected' (p.14) companies, all of which certainly perceived HRM programmes as valuable for the organisation. It would seem that the consultant should have also studied companies that had experienced difficulties in adopting HRM programmes. This is because otherwise their work would just reinforce idealised HRM model and overlook problematical situations and difficulties involved in the implementation.

Fourthly, in order to understand the HRM practices of selected central banks, the consultant stated in the report (p.14) that it 'conduct[ed] surveys' of employment relations practices in other central banks. The result of such surveys was a comparison of the BoT's and other central banks' human resource practices. Most of the time, the BoT was categorised as having 'third-class' human resource practices when compared to the central banks of countries like Hungary, Sweden, England and the USA, which were seen to have 'first-class' human resource practices. However, the criteria for such categorisation are questionable. For example, according to the report, the BoT was ranked as third-class in terms of line management's involvement in human resource matters because it had 'limited line involvement and ownership of line management in HRM processes/services' (p.17). At the same time, the Swedish

central bank was ranked as first-class because it had ‘extensive line involvement and ownership of line management in most HRM processes/services’ (p.17). However, these two statements assume that delegating human resource-related work to line managers is one of the ‘best practices’ of HRM. This is not always the case; there are other factors involved in determining whether line management’s involvement in HRM is successful or not. As will be discussed in Chapter 7, later in the reform the BoT also adopted the notion of delegating human resource tasks to line managers. However, the line managers’ lack of skill and knowledge in HRM, as well as their lack of an understanding of the importance of HRM and the lack of adequate manpower, resulted in line managers having a negative perception toward their involvement with human resource matters.

Finally, the consultant suggested further projects for the BoT into stage 2 and stage 3 of the reform. According to the same report, the key conclusions of the ‘diagnosis’ for the BoT were that there was no clear direction for human resource matters, and the HR Department were seldom taken seriously. In particular, the key recommendation of the consultant was for the BoT to adopt an HRM programme. For example, the report suggested that human resource work processes, policies and procedures were narrow and unclear, sub-functions within the HR department were not integrated, there was a lack of consistency and uniformity in practices, HR processes had no alignment with the Bank’s strategy/business, and there was a lack of customer orientation in the design. In this respect, the consultant suggested further projects for developing human resource policies in stage 2 of the reform, and implementation of such policies in stage 3.

### 6.2.2 The Second Stage

It is important to stress again that the researcher had an opportunity to be involved directly with several reform projects in the BoT, especially with the project that aimed to determine and develop high-level human resource strategy, which was central to the development of the Bank's new human resource policies in the second stage of the reform. For a time, the researcher worked as one of the project members and had excellent opportunities to collect data and information through the use of interviews, observation and the direct experience of working as a staff member. A number of documents were also collected. This provided the researcher with a secure basis for studying and analysing the new policies and the role of key actors involved in the development of such new policies.

According to the rationale of the reform, as discussed in the previous section, after the benchmarking exercise, the consultant suggested that it was necessary to determine a high-level human resource strategy, emphasising the new human resource policies for the BoT. One project was central to this stage. The Human Resource Strategy Development Project (HRSDP) team was established to carry out this work. This HRSDP had several members: executive and non-executive staff of the BoT, as well as representatives from the consultant firm responsible for this project. The main aim was to identify and prioritise the appropriate human resource strategy and policies for the BoT, through such processes as workshops, seminars and brainstorming. Eventually, the project was able to deliver a number of elements for high-level strategy to the BoT, including new human resource policies, with some suggestions for the implementation of such strategy and policies. The Bank's new human resource strategy ranged from a human resource philosophy, a vision, and an analysis of the



appropriate role of the HR Department to specific human resource policies. The intention was to cover all the relevant aspects concerning the staff's well-being in work and non-work matters. In this new human resource strategy, the development of the new human resource policies was seen as the most important component.

Table 6.1 presents the new human resource policies for the BoT as developed by the HRSDP team. These policies were later delivered to the Bank by the consultant:

**Table 6.1: The BoT's Human Resource Policies as Delivered by the Consultant**

<b>BoT's Human Resource Policies (as delivered by the consultant)</b>	
1. Manpower planning	
2. Recruitment, selection and placement	
3. Performance management	
4. Training and development	
5. Compensation	
6. Welfare and benefits	
7. Career development	
8. Scholarship	
9. Recognition	
10. Coaching, counselling and discipline	

According to Stage 2 summary report on HRSDP (January 2000: 52) from the consultant, elements of each policy aimed to provide 'a framework governing what we believe about the implementation of business processes'. According to the new human resource policies delivered by the consultant in January 2000, each area of the policy was formatted into five different sections. First, administrative details were provided, for example policy number, approval date, last revision date. Secondly, there was a description of the concept of each policy. For example, the first policy on manpower planning explained (p. 13 in the original policies document) the importance of manpower planning as 'the systematic and continuing process of

analysing an organisation's future needs for human resources'. The third section defined the scope of each policy's coverage. The fourth section presented the policy statements themselves. Finally, the last section stated the responsibilities of the BoT, the HR Department, line management, and the individual for each policy.

However, in fact, the human resource policies that are effective nowadays in the Bank are not the original policies that were delivered by the consultant. There are numerous fundamental differences between the two versions. The version delivered by the consultant is in English, while the effective version is in the Thai language; and the Thai version is not a translation of the English version. The Thai version only has one section under each policy, which is the section for policy statements themselves. Other sections from the English policies were regarded as unnecessary by the drafting team of the Thai version of the policies. For example, the description of each policy was seen as too general and thus bore no significance to the policy statements themselves. Most importantly, the fundamental concepts of each policy in the Thai version are very different from the English version delivered by the consultant. Not only that, the Thai version also consists of 12 policies, not just 10, as in the consultant's (English) version. Two more policies, Job Safety and Job Risk Coverage and Termination of Service, were added later by the BoT's own drafting team of the Thai policies. These two additional issues, as suggested by the Bank's senior human resource manager who headed the drafting team on Thai version policies, are crucial for the Bank. Different types of risks, such as working conditions in the factory of the Note Printing Work or legal risk in supervising financial institutions (for example staff being sued), are involved in the lives of BoT's members of staff. Therefore, the BoT's human resource policies should cover this type of issue as well. In addition, as

the same manager argued, human resource policies should cover every aspect of employees' lives, from first becoming a staff (for example recruitment policy) until that staff terminates her/his service with the Bank. Therefore, the policy on termination of service was also seen as important.

Let us consider some examples from the two different versions of human resource policies. The fundamental concepts of each policy are different. For example, in terms of manpower planning, the 'English' version (the version delivered by the consultant) aims at forecasting the demand and supply of human resource requirements in the Bank. This version gives some recommendations for how the BoT should plan the quantity and quality of its human resources. On the other hand, the 'Thai' version (the version that is currently effective) emphasises that each department is responsible for planning its own human resource requirement. Most importantly, according to the Thai version, the BoT has only two distinctive approaches in terms of human resource requirements: make or buy policy. 'Make' policy refers to the situation when the Bank wants to recruit staff at entry-level and train and develop such staff through the Bank's career development. 'Buy' policy refers to the situation when the Bank avoids recruiting permanent staff and buys services from a provider, for example in terms of contracting out. The Thai version emphasises the importance of appropriately outsourcing the BoT's work as much as possible to avoid the costs of recruiting full-time staff. These emphases in the Bank's policy on manpower planning certainly do not appear in the English version.

The second example comes from the Bank's policy on performance management. The most important difference is that the English version suggests that the BoT should



adopt a 360-degree performance evaluation, where staff are evaluated by their superiors, peers and subordinates. However, in the current effective version (the Thai version), staff are only evaluated by their superiors. Moreover, the Thai version also emphasises the evaluation of both the performance and potential of staff. This principle is not included in the policy statements in the English version.

In fact, this comparison between the consultant's version and the current effective version could usefully be made for each statement of each policy. This is because the consultant's version and the current version are entirely different. As stated earlier, the Thai version is not simply a translated version of the English policies; it was written by another team of staff. The researcher also had an opportunity to be involved in this team as one of the members.

The key question here is why the BoT needed to produce its own version of human resource policies, although the BoT had paid a considerable amount of money to the consultant to carry out the work. There were several reasons for this. First, after the consultant delivered the policies in January 2000, the original 10 human resource policies were seen as not covering all the relevant areas of the BoT's human resource operations. Therefore, two more policies were added. The policies were also presented in English, and the researcher first had the responsibility for translating the English policies into Thai for use within the Bank. However, the situation became even more complicated. Not only do the original 10 policies not cover all important aspects, but many of the policy statements were seen, by the Bank's senior human resource manager and high-ranking executives, as inapplicable to the specific arrangements within the BoT's contexts. For example, as stated above about the 360-

degree performance evaluation, this principle was opposed widely by the Bank's executive and non-executive staff. The argument was that in terms of Thai norms and values, where paternalism and the patronage system are still strongly evident, it is most inappropriate for subordinates to evaluate their own superiors. The consultant presented this idea in a steering committee, and this 360-degree principle was discarded by the committee.

The next example concerns the reimbursement of unused welfare and other benefits. The consultant's policy on welfare and benefits suggested that, in order to encourage staff not to claim welfare and benefits unnecessarily, the Bank would reimburse a certain proportion in cash if the staff do not claim anything in the previous year, or the Bank would offer a 'no-claims benefit' to staff. However, according to one of the high-ranking executives in a steering committee meeting, the Bank was involved in a number of radical reforms, for example the reordering of organisational structure and positions. To add a further complicated issue, in this case the reimbursement of unused welfare and benefits, would result in a more complicated task for the Bank's staff, and this might lead to more confusion. So it was decided by the steering committee that the Bank was not ready for this particular initiative.

Other elements of the policies were also seen as too general to apply to the specific conditions of the BoT. For example, in terms of policy on scholarships, the English version suggested some general statements such as 'the number and type of scholarships offered will be linked to the overall business plan and future needs of the Bank' (p. 49 in original policies document). However, the BoT already had its own existing types of scholarship; and not all of them were geared to the needs of the

Bank. Apart from scholarships for the future needs of the Bank's operations, the BoT also perceives scholarships in terms of welfare and benefits in its patronage system for employees. For example, the BoT gives a certain number of scholarships each year to children of staff as part of the welfare programme for such staff. The Bank also has scholarships in non-work related areas for the benefit of Thai society as a whole. This is one of many examples showing that the consultant's version of the policies was too general and was seen as inapplicable to the BoT's specific conditions. This resulted in the Bank assigning another team to produce the Bank's own version of human resource policies. This Thai version started to be officially used in the Bank from 30 June 2000, almost half a year after the delivery of the policies from the consultant.

Why were the human resource policies of the consultant seen as too general for the specific conditions of the BoT? This was partly due to the working method of the consultant in relying too much on existing HRM theories and models, without considering the specific and particular arrangements within the BoT. In fact, during the work of the HRSDP, which was responsible for developing the new human resource policies, there was no consideration of BoT's specific conditions. In stage 1 of the reform, which was discussed earlier, there were five human resource areas (recruitment, training and development, performance management, compensation, and organisational development) which were seen by the consultant as having a limited contribution to the Bank's operations. However, the specific character of the problems associated with these existing human resource areas was not considered during the development of the new human resource policies. There was not even a human resource policy for the area of organisational development.



What was the method of developing the new human resource policies? This work was conducted solely by team members of the HRSDP brainstorming together to suggest human resource areas which the team members thought were critical for the Bank. The representative from the consultant firm acted as a team leader, encouraging other team members to express their ideas. The team members came up with the 10 critical areas for drafting the human resource policies. Then, each team member was assigned one or two areas (policies) in order to draft the policy statements of each policy. The consultant then gave some photocopies of relevant parts of HRM textbooks for each policy to each responsible team member. The photocopies were to provide the ideas to back up the statements of each policy. In practice, most of the statements came from such photocopies. Some team members even went to find relevant HRM textbooks on their own, and used such books as a guideline for drafting the policy statements.

Therefore, the policy statements in the human resource policies delivered by the consultant were inspired by the use of HRM theories and models from various photocopies and documents. This highlights two aspects of the process of such policy making. First, as discussed in Chapter 2, HRM theories and models tend to neglect specific conditions and arrangements within particular organisations. As can be seen from the BoT case, the human resource policies which were directly brought from the theories were eventually seen as unsuitable for the particular settings within the BoT. The BoT needed to assign its own staff to write new human resource policies that responded to the Bank's own specific conditions. Secondly, this also indicates that the working method of the consultant, and indeed of the HRSDP team, relied too much on existing theories and models of HRM without considering the particular conditions of

the BoT. These two features imply that, in practice, there are important factors, for example specific conditions of the organisation, that HRM also needs to take into account if policy implementation is to be successful.

### 6.2.3 The Third Stage

As a result of the recommendations of the consultant's study in stage 1 of the reform, the BoT, with the help of the consultant, developed its new human resource policies for the first time. However, some complications, such as the inappropriateness of the policies delivered by the consultant, resulted in a delay of implementation in stage 3 of the reform. As stated earlier, the consultant delivered the English policies in January 2000, but the revised version of these policies, which is in Thai and with a number of fundamental differences, started to be effective in the Bank on 30 June 2000. This meant that the timescale of implementation proposed by the consultants was different from what really happened.

The stage 2 summary report on the HRSDP (presented to the BoT's steering committee in January 2000) proposed a tentative timeframe for implementation of the new human resource policies. Of the 10 human resource policies delivered by the consultant, policies on training and development, performance management, and career development were supposed to be implemented in early February 2000. Recruitment and selection, coaching, counselling and discipline, compensation, and manpower planning, were to begin implementation in June 2000. Welfare and benefits and scholarship policies were to begin implementation later in 2000. Recognition was seen as a part of the cultural change initiatives that were already being implemented.

However, despite the delivery of the new human resource policies in January 2000, none of the policies were effective until the end of June 2000, which, according to the consultant's plan, should have seen the completion of the implementation in new procedures for training and development, performance management and career development policies. Moreover, the stage 3 (implementation stage) was the responsibility of the Human Resource Reengineering Project (HRRP) team. However, when the researcher left the BoT in February 2001, the HRRP had only just started. Not even a single process had yet been reengineered at the time. In addition, the current situation (early 2002) is that human resource practices in the BoT are still more or less similar to the old ones. For example, according to the BoT's website ([www.bot.or.th](http://www.bot.or.th)), the HR Department's organisational structure is still the same as when the researcher worked for the Bank, while the structure of the HR Department should have changed in line with new practices from the implementation of the new human resource policies.

The delay in this stage 3 (implementation stage) was due to problems arising from the action of both the BoT and the consultant. Part of the problem was that the HRRP team was not appointed until almost one year after the consultant had delivered the new policies. The consultant firm responsible for developing the new human resource policies also retreated from getting involved in implementation of such policies because one of the consultant's representatives who was responsible for HRM had left the company. Thus the BoT needed to consider selecting a new consultant for the implementation stage (stage 3). Therefore, the BoT had to spend more time in selecting and interviewing new potential consultants. One might also wonder why the



consultant firm responsible for developing the new human resource policies accepted the job in the first place when later they claimed that, due to the lack of appropriate personnel, they did not have enough expertise in HRM. Therefore, it is interesting to note here that this situation underlines the extent to which the consultant's expertise may be dependent upon any single individual who may be moving off to somewhere else if that individual has got a better job offer.

In addition, it could not be denied that there were several weaknesses in the human resource policies delivered by the consultant, which resulted in the delay in the first place. This includes certain statements and approaches that were not appropriate for the Bank (see the above discussion). This raises the question of whether the work of the consultant was worth the large amount of money paid by the Bank. In regard to this is that there was no tool to assess the involvement of the consultant in the BoT's reform. Therefore, this study also seeks to assess the role of the consultant in the reform of employment relations in the BoT in order to see whether the presence of the consultant was justified.

### *6.3 The Assessment of the Consultant's Role in the Reform of Employment Relations*

The role of the external consultant was central to the reform of the BoT. The involvement of the consultant normally took the form of activity in working projects, where there were representatives from the consultant and several BoT staff as project members. The benefit of this working method was that, as stated earlier in this Chapter, the Bank's staff would be able to learn from the consultant's skill, knowledge and technology. In addition, it was also believed that such a transfer of

skill, knowledge and technology would, in the long term, result in the Bank's staff having enough capacity to perform similar tasks on their own. The purpose of this particular section is to identify and critically assess the involvement of the consultant in the reform in employment relations. This section will also identify the BoT staff's perception of the role of the external consultant within the Bank.

Although there were several advantages in using the external consultant in the BoT's reform of employment relations, such as the consultant brought a contemporary idea of the management of employment relations to the BoT, a major concern of this section is whether the consultant sufficiently addressed the extent to which the BoT is different from their other clients. Secondly, as will be discussed below, this section also addresses the question of whether, when the consultant recommended an HRM programme to the BoT, the consultant paid sufficient attention to any 'side effects' that might occur during the processes of change. As discussed in Chapter 2, HRM involves competing principles, including the unitarist-pluralist dichotomy. One of the considerations in this section, therefore, is whether the consultant recognised such dilemmas.

Despite some attention to the specific features of the BoT, it could be seen that to some extent the external consultant offered a standard package of solutions to the Bank without considering the particular conditions of the organisation. This is clear if we consider the fact that the BoT needed to produce its own version of human resource policies after the consultant delivered the original work. According to the senior human resource manager who headed the Thai policies project, the aim of the

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Thai version was to have human resource policies that could respond effectively to the particular conditions and specific needs of the BoT.

During the course of their work with the BoT the consultant constantly stressed that their advice regarding new human resource strategy had been successfully implemented by another central bank, the Malaysian central bank. Although it appears that the consultant was trying to take into account the specific conditions of a central bank, however, the question is whether using the Malaysian central bank's experience actually moved the consultancy away from the generalised model of HRM. For example, the way in which the consultant used the Malaysian experience as a reference for the BoT is still questionable. Might it be because the Malaysian central bank was seen as successful and that was the rationale for treating it as a model? However, in terms of financial policy, Malaysia was not more massively successful than Thailand; in fact both countries were affected severely, economically and socially, from the 1997 Asian financial crisis.

An interesting issue here is why the BoT was so keen to accept the consultant's recommendations when it simply employed a standard recipe. In order to answer this question, the background of the BoT's 'old model' of employment relations (detailed discussion in Chapter 5) needs to be considered. First, the Bank's HR work was routinised and thus HR functions, including the HR Department, were perceived as ineffective and in need of improvement. Therefore, top management believed it was necessary to bring in an outside agency with a direct and up-to-date knowledge of effective employment relations to analyse the situation and devise a range of HRM strategies. Secondly, the Bank's employment relations policies and practices were

regarded as out-of-date. In fact, before the reform, formal human resource policies were virtually non-existent in the Bank. The work of the consultant was thus valued and seen to be essential. The Bank's senior human resource manager who oversaw human resource matters at the policy level stated that:

Various situations have led the current management to see changes in the BoT as inevitable. One of the high-ranking executives said to me that there are so many changes occurring in the BoT right now, and this is because many of the changes should have been introduced in the past 20 years. The changes we are having now -- while others have done them over a much longer period of time, we are forcing them in the space of just three years... In addition, a study by an external consultant at the beginning of the reforms in the BoT also showed that the BoT really lacked management skills.

One problem for consultant and top management on this account is that the BoT needed to catch up with the outside world in terms of the management of employment relations, and therefore the need for forced change. This is quite an interesting aspect because if they (the consultant and the top management) saw themselves as far behind, an imperative emergency, such as short timetable, top-down policies and implementation, was inevitable. In addition, in a sense they (the consultant and the top management) were also caught up in another dilemma because when they saw themselves as far behind, so they were projecting forward how to drive through this time-lag obstruction and thus they were blotting out all the complications and

complexity in the politics of change simply because there was no time. Therefore, this was partly due to the role of external and internal pressures influencing both BoT's top management and the consultant in not really addressing the 'messy', complicated side of bringing about change. This also led to the fact that when the consultant suggested the HRM programme, with its sophisticated and apparently ideal approach, the BoT's management saw this as necessary for the Bank. Since the HR Department was not considered to have any knowledge of a modern and more effective employment relations approach, the consultant was seen as the principle agent in improving the Bank's employment relations system.

There are two other interesting aspects to explore here. First, since the consultant's view was seen as crucial in how the Bank's employment relations should be reformed, it is important to know how far and in what ways the consultant took on board the views of the Bank's employees. According to the researcher's experience, although there were several workshops involving executive staff from other departments to express their views concerning the new employment relations system, the consultant relied mainly on their own knowledge of HRM when devising new human resource policies for the BoT. Only minimal attention was given to the Bank's previous experience and approach to employment relations (for example see the above discussion of the process of developing the new human resource policies). In addition, it was also difficult for the Bank's staff to argue with the consultant about effective employment relations because of the former's limited knowledge of what was meant by the 'best practice' in HRM.



The second issue is that of whether, and to what extent, the consultant simply provided standard recommendations for the BoT. In fact, the English human resource policies were developed into a manual containing all the relevant policies and strategies. However, the format and structure of this manual was similar to those of an existing manual developed by the same consultant for their previous client, the Malaysian central bank. Together with the consultant's existing knowledge about HRM, the existing policy manual from the consultant's previous client was also used as a point of reference during the BoT's development process for its new human resource policies. Although the advantage of doing this seems to be that the consultant was trying to specify the human resource policies especially for non-profit central banks by using the policies from another central bank as a blueprint for the BoT, in fact the policy statements from the BoT's English policies seemed to be generalised from HRM theories and without specific attention to the specific conditions of a central bank in Thailand (for example, as stated earlier, where the statements from the BoT's new policies were taken from HRM textbooks).

For obvious reasons, the consultant needed to persuade the BoT to believe in their recommendations. The existing policy manual's format and structure (from the consultant's previous client) was seen as supporting tools to produce the 'new' work for the BoT. However, there were still certain limitations in this approach. As stated above, during the process of developing new human resource policies, the consultant paid little attention to the BoT's specific conditions, particularly those arising from distinctive features of Thai society and organisation as well as specific role of Thai central bank. And it can be seen that the consultant's work was based on HRM theories and models. Although there was an existing policy manual acting as a

reference, most of the English policies' statements were taken from such HRM theories and models.

However, on the other hand, it is also crucial to recognise that if we look at the situation from a different perspective, it could also be seen that the consultant attempted to offer a 'tailored' package borrowed from their previous experience, not just offering a 'standard' package of solutions to the BoT. That is, one might argue that if the consultant used the Malaysian central bank's experience as a basis for analysing the case of the BoT, then this means that the consultant did not neglect the specific conditions of the central bank. However, the earlier discussion suggests that even with the Malaysian central bank experience, the development of the BoT's English policies was quite heavily reliant on a general HRM model. Moreover, although the consultant provided the Malaysian policy manual, there was no concrete evidence from the consultant showing that the Malaysian human resource policies had actively been tailored for specific conditions of the country or of central banks in particular.

Although the BoT did, to some extent, enjoy some benefits from the Malaysian experience, as mediated by the consultant, the main point here is the role of the consultant. An inter-relationship between different countries' central banks does exist. Was the intermediate role of the consultant actually necessary? Or put another way, was it not the consultant who actually benefited most from this relationship by gaining and using knowledge that could be applied to subsequent cases? On the other hand, it is also crucial to recognise that, in some ways, using the consultant is useful for the Bank's top management because it acts as a sort of buffer between the

management and employees. For example, it might be beneficial for the Bank's senior management in using the consultant to introduce the new HRM programme and thus the management did not have to confront directly with employees during the change process. This sort of issues require a further investigation in a separate thesis.

#### 6.3.1 The Impact from the Consultant on Organisational Politics and Rivalry among Staff

Various situations during the introduction of the HRM programme into the BoT by the consultant suggest that, in accordance with the theoretical framework discussed in Chapter 2, the consultant adopted a prescription approach which paid little attention to any possible 'side effects' that might occur during these processes. For example, the introduction of the HRM programme in the BoT did not consider the possibility of organisational politic and rivalry among staff. Staff in different reform projects were competing with each other, especially in the situation where two projects were inter-related, for example managers in the HR Department were competing and trying to gain influence within the Department and in the HR operations of the Bank. In fact, this issue of 'micropolitics' (Burns, 1961) among staff arises in social systems within which people compete for advancement. In Burns' term (p. 257), 'behaviour is identified as political when others are made use of as resources in competitive situations'.

Experience during the design and development of a new performance management system suggests that this type of problem arose because the design of such a new system was undertaken by a different group of staff from the ones who were developing new human resource policies. As a result, two managers heading two different projects were competing with each other to gain influence in the HR area of



the Bank. The Bank appointed two separate project teams. The first was the Human Resource Strategy Development Project (HRSDP), in which the researcher was involved as a project member (discussed earlier in this Chapter). The other project was that responsible solely for designing and implementing the new performance management system for the Bank. This situation also involved two different consultant companies, each responsible for one project. Each project was also headed by a different manager from the HR Department, and had a completely different set of project members. In addition, these two projects proceeded simultaneously.

The conflict between the two managers started from an overlapped scope of the two projects. The new human resource policies also included the policy on the new performance evaluation system. A situation arose in which managers responsible for these two different projects were each claiming the importance of each project. For example, the manager from the HRSDP always believed that the project responsible for designing and implementing a new performance management system should not have been started until the HRSDP had been finished. This was because, so this manager believed, the design and implementation of a new system should wait for the completion of the new policies, which would act as guidelines for human resource matters in the Bank. On the other hand, the other manager responsible for designing and implementing the new performance management system believed that that project was the most urgent, because the BoT needed to link its human resource system (for example pay and promotion) to performance as soon as possible. Therefore, the second manager believed that the design and implementation processes of the new performance management system were of first importance. This caused disharmony between the two managers and this resulted in a lack of cooperation in terms of

developing and using the new performance evaluation system. In this respect, organisational politics were not a result of HRM, but the HRM itself became subject to such organisational politics.

The conflict between two different projects was evident in many ways. The ‘clash’ between the two managers resulted in separate and competing work between the two projects. One project aimed to develop a new policy for the Bank’s performance management, while the other concentrated on designing and implementing the new performance management system without consideration of the policy. The two projects, instead of complementing each other, proceeded in completely different directions. As stated earlier, the elements of the English version human resource policies suggested that the BoT should adopt the 360-degree performance evaluation under the new performance management system. This principle suggested that the BoT should adopt a more ‘modern’ style of performance evaluation. At the same time, the other project was going ahead with the implementation of the new performance management system, which included only supervisors’ evaluation of staff. This implied the continuation of the existing elements of hierarchy and deference between staff and their superiors. This new performance system also had its own detailed procedures, with both ‘performance’ and ‘potential’ evaluation, principles that were not mentioned in the English version human resource policies delivered by the consultant in January 2000. As a result, when drafting the Thai version of human resource policies between late January 2000 and June 2000, the drafting team needed to write the policy on performance management following the guidelines made earlier by the project responsible for designing and implementing the new performance management system.

The situation discussed above implies several things. It cannot be denied that the top management of the BoT contributed to this outcome by appointing two related projects separately at the same time, with different consultants and competing personnel. This may have been because of the time-constraint forcing the BoT's management to introduce many new practices at the same time. However, the situation also points to the fact that the consultants responsible for the two different projects did not cooperate sufficiently with each other. The situation became even more complicated because the unitarist emphasis of HRM provided little guidance in addressing the realities of organisational pluralism either in terms of competing project teams or the different perspectives of employees at different levels in the organisational hierarchy. For example, the implementation of the new performance system did result in some confusion and negative feeling from employees, a feature which will be discussed in detail in Chapter 8.

The competing projects under different consultants also resulted in another problem, which also reflected a confusion within HRM itself. The terminology of HRM used by different consultants was confusing. The group of staff who were developing new human resource policies with one consultant firm, which included the general policy on performance management system, used certain terms in relation to the new system. At the same time, the other group of staff who concentrated solely on the design and implementation of the new performance system, and worked with another consulting firm, also used their own technical terms within their project. For example, the term 'key performance indicators' referred to certain features in one project and to a different set of features in another. This resulted in the use of the same terms but with



different meanings by different groups, while other terms were different but had similar meanings. This also led to further arguments among staff when discussing the new performance management system, as well as confusion among employees when new terms were introduced to them.

#### *6.4 The Relationship between the Consultant and the BoT's staff*

The relationship between the Bank's staff and the consultant is investigated here. The importance of this particular section is that, in order to form our understanding of the staff's responses to the reform (chapter 7 and 8), the staff's relationship with the consultant needs to be identified first, because the consultant was one of the main actors in the BoT's reform in employment relations. Because of the consultant's sophisticated working methods, for example using high technology and skill in their presentation, such methods were admired by a number of staff. For example, many staff members copied the techniques the consultant used in the presentation for their own work. In terms of the relationship between staff members and the consultant, the Bank's HRM specialists seemed to be more critical toward the consultant than the non-HRM people. This may be due to the fact that HRM specialists' expertise was being challenged by the consultant.

There was a group of staff who were impressed by the consultant's work methods. In fact, the consultant used a particular form of negotiation to produce a sophisticated and impressive HRM programme. The excellent and professional presentation of each stage of the project made the work look interesting and justifiable. The use of information technology in their presentations, including the intensive use of computerised and on-screen presentation, gave the consultant scope to make a good

impression. For example, there was an occasion in the Bank when the professional consultant competed with local academics for employment with the Bank. It was clear that the consultant's presentations were far more impressive.

Not only that, the consultant also tended to see the negotiations with the Bank from a political point of view. For example, as stated, there were always several junior representatives of the consultant working closely with the project team. All projects needed to constantly report their progress to the high-ranking executives, and this was a job for the Bank's staff in the project team. Nevertheless, on the ground of 'teamworking', both junior and senior representatives from the consultant always made sure that the contents of what the BoT staff team members were going to present to the management were acceptable. If possible, the consultant's senior representatives were also present at such meetings to ensure that the discussion within the meeting proceeded in accordance with their plan. In this respect, it seemed that the consultant was quite politically astute, but their model of HRM seems to be a separate business. Their own political awareness and astuteness were not built in to the model.

On the other hand, the absence of the consultant's senior representative also proved to be a disadvantage for the consultant in some cases. The consultant sometimes employed a number of junior local representatives for their day-to-day operations at the BoT. The senior representatives only joined in on certain occasions such as meetings with executives, as stated above. This led to the situation where a number of the BoT's staff, especially senior managers, did not believe in the ability of the junior consultants to solve a problem. For example, according to the Bank's senior human resource manager who had worked in the employment relations field for more than 30

years, it seemed that the junior representatives of the consultant, who had only graduated recently, did not know as much about the key issues.

In general, however, in terms of the relationship between the consultant and line managers (non-HR managers), the latter perceived that the consultant was necessary for the BoT to achieve a good result from the reform. Two interviewees, managers from line and support departments respectively, summarised this judgement:

I believe that the proposed reform would have been more difficult if we did it by ourselves without the hiring of external consultant. Insiders might always stick to the same old system, while the outsiders have brought new views and practices for the Bank. In the past, we used to do the employment relations reform on our own but it was not successful.

I think it is good to have external consultant, who are professional, to help out in the Bank. We can know the benchmark from other organisations, and we can improve our human resource practices. I do not mean that the previous practices were not good; but it is good to have some outsiders assessing our quality.

The comments of these two interviewees are similar to those of several other line managers with whom the researcher conducted informal interviews. They felt that the hiring of external consultant was necessary, especially in terms of knowledge and



skill in contemporary employment relations. This was because employment relations was not an area of expertise of the BoT, and thus it was seen that bringing in skills and knowledge from outside should benefit the Bank. In fact, this discussion also implies that, to some extent, the BoT was forced by internal pressure to hire a consultant to advise on its reform in its employment relations system. This was partly because the BoT lacked staff with a direct expertise in the management of employment relations systems. For example, the majority of BoT's staff members had expertise in terms of economics and finance-related areas. Only a very few staff members were experts in terms of management skills and knowledge. Therefore, the BoT's management was forced to hire the consultant to gain this expertise.

At the same time, it was also implied from the above interviewees that the hiring of the consultant did not mean the BoT's staff were not good enough to perform changes on their own. The BoT's staff themselves might be capable of improving the standards, providing new strategy, as well as identifying new 'best' practices by themselves. However, it might have been difficult for someone who had been attached to the same old approach and practices for a long time to consider radical change. Therefore, the role of the external consultant was considered to be vital. The consultant was expected to act as a change agent, stimulating the BoT's staff to improve their work practices.

However, in terms of human resource managers' responses to the consultant, the attitudes and perceptions were different. It was suggested that the presence of the consultant caused a certain amount of conflict. Some interviewees, such as one of the

Bank's human resource managers, saw the hiring of the consultant as negative and the benefits as doubtful:

When we have work from outsiders, it is sometimes difficult to implement. This is due to many reasons, for example the outsiders did not communicate clearly to the Bank's staff about what to do, thus resulting in the staff having no clear understanding of what is going on. Also, some solutions are not practical, for example lack of training for new practices for the Bank's staff to perform themselves, resulting in such new practices not being so effective as they should have been.

However, some managers such as a non-HRM specialist who had worked with several consultants in a number of projects recognised the conflicts involved, but defended the role of the consultant:

The number of consultants in the Bank has nothing to do with the confusion in the Bank. It is due to the fact that the Bank itself should have a more effective means of communication with staff, as well as a follow-up process to ensure that staff really understand the Bank's initiatives. We should have a more concrete communication plan.

The above view from an HRM specialist was well informed but it was also self-serving. Consultants were evaluated more critically by the HRM specialists, who may be well placed to observe problems, but whose expertise was also being challenged,

while some other managers, especially the non-HRM people, recognised the tensions but remained more positive about the consultant role.

The question here is whether difficulty in implementation results from the consultant failing or those of HRM itself, or both. Since the consultant recommended the HRM programme to the Bank, they did have some responsibility. For example, the unsuccessful implementation within timescale of the HRM programme was partly due to the unrealistic implementation timetable suggested by the consultant. As discussed earlier, according to one of the reports the consultant presented to the BoT, most of the 'reengineering' processes (implementation processes of the new human resource policies) were intended to be completed in the year 2000. However, when the researcher left the BoT in early 2001, not even a single process was reengineered.

At the same time, as will be seen in chapters 7 and 8, the HRM programme itself also resulted in some confusion and significant negative feelings on the part of employees. This is a good example of the way in which HR procedures may attempt to systematise and regulate professional expertise, and the way professional experts may contest this on the grounds of the importance of their expertise being creative and autonomous. For example, the new human resource policies also required each member of staff to set her/his working goals within one calendar year. This was based on the belief that, under the new performance management system, employees needed to be evaluated against certain specific criteria, rather than relying solely on the supervisor's judgement as before. This sounded interesting and beneficial. However, in practice, the proposal caused confusion among staff. According to some economists and financial experts, it is extremely difficult for them to set specific goals



each year. An individual's work depended very much on changing situations. It was impossible for anyone to state in detail how many reports or papers they will have to prepare in a year, although this was what was expected of employees under the new system.

### *6.5 Conclusion*

The reform of employment relations within the BoT, or the introduction of a new HRM programme, was categorised into three stages. The first stage concerned the 'diagnosis' of the then current problems in the Bank's employment relations. This also included some recommendations for further actions by the BoT. The second stage concerned the development of a new human resource strategy for the Bank. In this respect, the development of new human resource policies was the most important component. The third stage aimed to implement the new human resource policies into new practices.

However, the approach and role of the consultant were problematical in several ways. The specific conditions of the BoT were not taken into account, and this resulted in the BoT having to draft its own version of human resource policies despite having obtained the policy recommendations from the consultant. Certain suggestions from the consultant, such as the timeframe for implementation in stage 3, were also over-optimistic and unworkable. Although the BoT was also to blame in part for this failure, it was also the responsibility of the consultant. In addition, the presence of multiple consultants in different reform projects, resulted in problems such as conflict and disharmony among the Bank's managers. The HRM programme, which was

suggested by the consultant, also in itself involved tensions and limitations which further complicated the situation.

The present study recognises that it was impossible for the new human resource policies, and indeed the new HRM programme in general, to have an immediate, positive impact on the Bank's human resource practices and performance. This sort of thing required time for adjustment. In addition, the pressure from existing, inflexible rules and regulations did not allow the Bank to adopt new practices easily. For example, in order for the Bank to change any practices, a number of bureaucratic procedures must be followed. In practice, the Bank decided to write a new human resource procedure manual. The intention was to use the manual instead of issuing formal orders. If practices changed, the manual could be updated<sup>1</sup>.

It is also a fact that during the process of reform in the BoT, the perceptions held by staff were very important. After all, it was they who were affected most directly by the reform. Therefore, it is crucial for this study to analyse the staff's response to the reform. In the following Chapter, managers' response to the reform will be discussed, while the perceptions of the reforms among other non-executive staff will be discussed in Chapter 8. The aim of the following two chapters is to provide further evidence to show that the new HRM programme itself involved certain contradictory principles and a unitarist ideology that overlooked the complex realities of organisational pluralism.

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<sup>1</sup> However, it might be worth noting here that a number of employees preferred the old system: they expected the Bank to issue clear orders for them to follow.

## Chapter 7

### MANAGERS' RESPONSES TO THE PROPOSED REFORM

As we explained in the previous Chapter, the reform in employment relations system of the Bank of Thailand (BoT) was categorised into three stages. The first stage involved the 'diagnosis' of the then current situation within the BoT, with the use of a 'benchmarking' method to compare the BoT with other central banks. The second stage involved delivering the rationale of the reform by introducing a human resource management (HRM) programme through the development of new human resource policies for the Bank. The third stage involved the implementation of such new human resource policies and their development into effective new practices. All three stages of the reform were based on the concepts and practices of the HRM tradition. However, as discussed in the previous Chapter, this tradition did not necessarily deliver appropriate or unproblematic solutions. There were two particular points of concern. The first related to the specific elements of HRM that can help to improve the Bank's employment relations system. The second issue was whether HRM could provide an adequate source of techniques and approaches to achieve such improvement. Our analysis of the BoT case suggests that HRM neglected several important issues that should be addressed by effective employment relations systems. For a large organisation such as the BoT, with a high number of employees, employment relations matters inevitably involved various groups with different outlooks and interests. However, HRM generally supported a unitarist approach which was highly selective and focused on management prerogative.



In this Chapter, the focus is on the role of the Bank in introducing HRM, and on the attitudes and perceptions of the Bank's management, or the managers, toward HRM and the reform in general. These managers include junior managers, senior managers, and high-ranking executives (Assistant Governor and above). The aim is to show that although the BoT's management believed in the ability of HRM to provide a solution to the Bank's problems, in practice HRM neglected some important issues and led to confusion among staff.

This present study recognises that HRM in itself is problematic. First, there are different versions of HRM. For example, there are differences among the US, Japanese and West European models. The literature review in Chapter 2 also noted that there are different approaches to HRM, as categorised by Legge (1989 and 1995), for example, in terms of the 'hard' and 'soft' models or the two different extremes between the paradigm 'universalist' model (Brewster, 2001) and 'strategic choices' model. Secondly, the way in which HRM is applied depends on the particular organisational context, which includes specific political and cultural features. This is not only relevant when talking about applying Western HRM to Thai organisations, but it is also true in terms of applying HRM to Western organisations. The varying nature of the work (for example manufacturing versus office work), and varying national values and cultural arrangements all have an impact on employees' attitudes and perceptions, and these variables need to be taken into account when applying HRM to any organisation.

The researcher observed that in practice the staff of the BoT did not distinguish between the US and Japanese models; they just debated about HRM itself. Therefore,

the present study aims to analyse HRM in terms of its specific application to the BoT. This Chapter also argues that HRM has another form of unitarism in neglecting the existence of competing professions within the organisation. The different forms of expertise required in the BoT's operations were likely to result in some elements of HRM being seen as inappropriate. At the same time, because the non-HRM professions were the main ones in the Bank, the human resource-related tasks were not likely to gain sufficient attention in the Bank's operations.

The key areas that will be explored from the BoT managers' perceptions and attitudes toward the new HRM programme are in line with this study's analytical framework presented in Chapter 2. 'Generalised' (not matching circumstances) and 'idealised' (glossing over issues of power and pluralism) HRM model was responded at two different levels by the managers. First, it was suggested that managers may resist systematisation and tighter regulation under HRM programme. This led to the situation where non-HRM managers were protecting their own expertise by emphasising their expertise's importance to the BoT and downgrading the expertise of HRM managers. Secondly, the HRM programme itself may limit the scope for HRM managers to claim distinctive expertise.

There are several key themes that emerged from the discussion in this Chapter. The first, fundamental theme is about the general argument of the unitarist character of HRM and its failure to address the variety of interests which might constitute and be presented within the organisation. The second theme is about existing tasks, institutions and expectations, and the way in which past institutional arrangements, particularly authoritarian paternalism and its reciprocal side of deference, helped to

structure people's experience, skills, and expectations. The third theme is about the processes of implementation, especially problems of the need for time and effective leadership and communication. The last theme is the priorities of line managers in terms of non-HRM priorities and the subordinate role of the HRM specialism.

It is crucial to note that the above themes are inter-related. For example, although the argument about the unitarist character of HRM is the most fundamental argument because it underlines the fact that the organisation involves not simple coherence of interests but a variety of interests which arrive by different patterns of experience, locations, etc., it is also the most abstract argument. This unitarist argument does not take us very far unless it is linked to some more specific evidence. Therefore, the additional themes about varied contexts of the organisation in terms of existing institutions and expectations and priorities of line managers are ways of making the unitarist argument more concrete and more meaningful, not just talking in abstract about unitarism and pluralism. The additional themes help to clarify what are the basis of any different experience, expectations, and interests within the organisation. These additional themes are partly based in differentiated activities within the organisation, particularly the differences within different types of work in the BoT, for example different types of recruitment, different qualifications, and different sorts of expertise.

It was suggested from the BoT's experience that HRM was bound to be unsuccessful because its unitarist character did not address the way in which past institutional arrangements helped to structure staff's experience, skills and expectations. The unitarist approach of HRM also resulted in problems in the processes of implementation because it did not address the importance of effective leadership and



communication. The BoT's HRM programme also did not address the importance of persuading line managers to see the importance of HRM tasks even when the managers were being asked to undertake such tasks. As a result, HRM managers were not able to compete with other professions in the Bank and were unable to develop an effective approach to implementation.

### *7.1 Unitarist Character of HRM: How past Institutional Arrangements Structured Managers' Experience and Expectations*

As discussed in Chapter 3, several managers, including line and human resource managers, and the BoT's high-ranking executives (Assistant Governor and above) were interviewed with the purpose of getting data and information for our analysis. The interviews included both formal interviews, through appointment, tape-recording and note-taking techniques, and informal interview through 'chatting' with those managers. The researcher's observation and work experience during a number of meetings also proved to be a useful source of information and insights. In addition, BoT's internal documents, such as newsletters, also contained a lot of information and statements from the Bank's executives in trying to communicate with employees.

It is not surprising that most of the senior management of the BoT saw reform as inevitable and HRM as the answer<sup>1</sup>. Two high-ranking executives, who were directly responsible for the employment relations reform, saw the elements of HRM as crucial and inevitable to the Bank's future:

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<sup>1</sup> It is important to stress that the present researcher does not personally oppose the reform or the use of HRM. However, this research seeks to assess HRM critically from an academic point of view by trying to address the basis for more effective or less effective, or better or worse, forms of HRM.

In the future, I would like to see the HR function of the Bank involved more in the overall direction of the BoT as well as acting as a strategic partner with the high-ranking executives of the Bank. The HR staff here need to have more contact with the private sector's HRM programme so that they can have a more recent knowledge of effective HRM practices.

And:

In the future, I see the HR Department in terms of being a business partner with line managers, with effective supports for the Bank's main operations.

According to the definitions of HRM discussed in Chapter 2, the high-ranking executives of the Bank who were interviewed obviously wanted the employment relations system of the Bank to be more closely associated with the HRM programme. The development of new human resource policies, for instance, was aimed at linking human resource strategy to the Bank's business strategy which was also developed during the reform. The Bank's business direction was defined by the Bank's 'Core Purpose', which was 'to provide a stable financial environment', and the Bank's 'Vision', which was 'to be a dynamic learning organisation, proactively adapting and responding to the changing environment' (BoT's website: [www.bot.or.th](http://www.bot.or.th)). It is worth noting the way these 'Core Purpose' and 'Vision' embraced the latest management 'buzz-words' such as 'dynamic learning organisation'.

According to the researcher's own observations and a number of written statements in the BoT's newsletters (for example in BoT's internal newsletter number 9, 2001 and Modernisation Programme's newsletter number 13, 2001), it was believed by the Bank's high-ranking executives and the Bank's senior human resource manager that the Bank's operations, including its employment relations system, needed to be able to respond adaptively to the above new 'business' directions of the Bank. In terms of the human resource system, the BoT's external consultant suggested that this could be achieved by developing a human resource policy that was in line with these priorities. In fact, as discussed in Chapter 6, this was pursued through the Human Resource Strategy Development Project in the reform stage 2, which was responsible for developing new human resource policies for the Bank. This certainly points to the fact that the BoT, and indeed its high-ranking executives, saw an HRM programme as a crucial part of the Bank's success.

Thus, the top management of the Bank saw the movement towards the use of HRM as inevitable. The Modernisation Programme Office (MPO) was established prior to the reform in order to coordinate different working projects throughout the Bank. In fact, this establishment of the MPO indicated a strong willingness of the BoT's management to reform various aspects of BoT's work, including the employment relations aspect. One of the junior managers, who had worked as a project coordinator for the MPO and had worked closely within a number of reform projects for the Bank, stated that:

It is not suitable for people to criticise or argue against any new HRM initiatives. If they [the new initiatives] are there



already, we should think of a way in which they can be used effectively for the Bank in the future. When all the transitions are completed, it is likely that the Bank's staff will be much better managed and developed. Therefore, it is likely that the Bank's main operations in economics and finance will also be better.

On the one hand, the Bank's management could simply ask employees not to criticise the new HRM initiatives. However, on the other hand, if the initiatives themselves benefit the employees as a whole, it might be expected that the employees would automatically welcome the new initiatives. There was a dilemma in this respect in the BoT. As discussed in Chapter 6, although involving a number of staff from different departments, the reform projects, especially the HRM projects, always worked and relied on their own judgement. There were various channels through which the employees could express their concerns about these projects, for example e-mail communication from the projects to every employee, or public seminars about the new HRM projects. These channels allowed employees to discuss and offer comments. However, in practice the decisions eventually rested on a few managers involved in the project working teams.

For example, in producing a working (procedure) manual for different human resource processes for the Bank, such as procedure in staff transfer or procedure in claiming welfare and benefits, when the procedure of each human resource process was complete, such procedure was e-mailed to every employee. The idea was for the employees to read and comment on the draft of the procedure. However, in practice, for each draft of each human resource process, no more than 20 employees (who

mostly were the staff members who worked in human resource-related work) out of more than 5,000 employees commented on the draft. This was partly due to the fact that each employee received a number of e-mail messages every day and, as some employees told the researcher, when they saw the subject line which did not interest them, they just simply deleted that message without opening it. However, the way in which the very few comments that were returned were treated was also questionable. The comments were divided into 3 categories: accept, reject and pending. The 'accept' category meant that the comment would be used to edit the draft right away, while the 'reject' would simply be discarded. The 'pending' meant that such comment would be brought to the high-ranking executives' concerns for their consideration for further action. In fact, there were no exact criteria of such classification: it rested purely on the judgment and experience of the manager who headed this particular project. This means that, in practice, those comments which were 'accepted' to be used to edit the draft were the comments that were seen as appropriate by the manager, and the Bank's high-ranking executives whom later the manager presented the comments to. Although this situation showed that the Bank valued employee involvement in the drafting process to some extent, all the comments from employees needed to be seen as appropriate by the management's judgement, not in terms of the actual needs of employees. This situation underlined the self-limiting character of consultation in HRM work from the BoT's management.

The attitude of the Bank's middle managers in response to HRM also seemed to be positive. The following three line managers, who did not have a background in human resources and came from three different departments, also agreed with the benefits of

the new HRM programme. One of the managers even positively compared HRM to her familiar background in economics:

HRM is closely related to economic principles in managing resources effectively by trying to maximise the benefits from such resources.

The Bank lacked an effective way to manage and develop its employees; so that is one of the reasons why creating a human resource strategy and direction is good for the Bank, as well as the establishment of the departmental human resource manager. This also helps to increase the communication channels between staff and executives.

The new human resource policies for the Bank have a positive impact on staff both mentally and in terms of their working system. They feel that they are treated more fairly and in turn they will love and be more committed to the Bank. Also, they are able to know their direction and how to work according to desired behaviour. In terms of HR functions, the jobs are much easier with new direction from such new human resource policies.

In principle, the managers responded to the new HRM programme in a positive way. However, the evidence from the research fieldwork (see Chapter 6) suggested that in practice the introduction of the new HRM programme to the BoT was problematic. This was also expressed during the course of the interviews by several of the Bank's



managers that they were worried about HRM in practice though they agreed with the principles of HRM. The following interviewee, who was a senior manager overseeing employment relations at the policy level, stated:

We now have 12 human resource policies acting as a direction for the Bank's human resource-related matters. However, the present situation is one where people in the HR function acknowledge the policies but still do not know what to do with them, especially in terms of implementation and system design, in order to support those 12 policies.

The above statement seems to suggest that it was just a question of time before the new human resource policies will yield its potential benefits. However, positive views toward HRM from the Bank's managers may prove to be too optimistic. In practice, several other problems were bound to arise when attempting to introduce HRM to the BoT. Again, as stated earlier in Chapter 6, the completion of the new human resource policies did not guarantee the successful implementation of such policies. The implementation was delayed and several problems were involved.

In fact, the human resource policies which were developed through the external consultant's knowledge of HRM 'best practices' were not used directly in the BoT. As discussed in Chapter 6, the Bank needed to develop its own version of human resource policies that responded more directly to the specific conditions of the Bank. This situation raises the concern of generalised model of HRM that did not match particular circumstances of the BoT. This concern was also reflected in some managers' interviews. For example, some managers in the HR Department,

nevertheless doubted the ability of HRM to solve the Bank's problems in employment relations:

In theory, human resource policies are good as a guiding direction for people. However, in practice I personally suspect its ability to succeed here. It seems that now people are being forced to accept HRM programme, thus uneasiness and resistance is in the air.

Human resource policies are necessary for acting as a direction and frame for human resource-related issues. However, the implementation process is also important: the procedures and practices from such human resource policies need to be clear for people to follow.

The intention of the Bank in developing the new human resource policies was to derive new and effective human resource practices from such new policies. However, according to the above quotations, there was a feeling that to implement practices and procedures from such policies was easier said than done. This is true if we consider the fact that when drafting new human resource policies, words can be created and modified to sound impressive. However, to be able to derive practices from such policies is much more complex.

New human resource policies did not automatically lead to a more effective employment relations system. According to the above interviewees, HRM was seen as necessary for the Bank's success in the future. However, some managers still doubted

the ability of HRM to be implemented successfully. They believed that there was a need for greater clarity and better communication in terms of HRM if people were to accept the proposed changes. A further dimension of the problem of implementation was suggested by the following interviewee, who had worked as a manager in several different departments:

I personally suspect whether this proposed employment relations reform is suitable for the Bank's work characteristics. It might be a success for other private companies, but such a philosophy might not be effective for the Bank. For example, we have different perspectives on cost and benefit from the private sector. We never used compulsory redundancy because we think that redundant people do not benefit society because such people will be a cost for society, while the private sector sees redundancy as a benefit for firms. Also, things like a performance evaluation system might not be suitable for our working characteristics. Our work is different and difficult to measure in quantitative terms.

A recently promoted manager also agreed with the above experienced manager:

The Bank's main operation is very difficult to measure in terms of performance. The work characteristics of researchers and economists are difficult to measure quantitatively.



From the above quotation, it appears that HRM is more associated with a production, commercial organisation. However, in the non-profit organisation such as the BoT, it was by no mean clear whether the introduction of HRM would increase performance levels. In fact, it was even more difficult to measure HRM's impact on the Bank's performance. This was because the Bank's work characteristics had no clear criteria to evaluate the Bank's performance.

Another source of scepticism about the HRM programme, which was registered in the interviews with the Bank's managers, concerned internal tensions in HRM as comments in the literature by Legge (1989 and 1995) and others. For example, in terms of the teamworking principle, the BoT stressed the importance of staff working as a team, but performance evaluation was done individually. Under the new system of performance management, evaluation was linked to a number of crucial issues for staff such as career development and salary increases. This suggests that it may be hard for staff to cooperate with each other, since each of them had to focus on getting the best grade possible. The result was that the two principles of teamwork and the new performance evaluation system were in conflict (see more discussion in Chapter 8).

The dilemmas involved in the new performance management system did not end there. In terms of managers' attitudes toward the new system, many expressed doubts about the new performance evaluation system's ability to accurately measure staff's performance, and, as stated earlier, some were worried about the potential contradiction between this system and the teamwork principle that the Bank enforced.

One of the veteran managers of the Bank said:

People are working based on a team system. However, their performances are evaluated individually. This encourages staff to work more individually, concentrating on just individual performance. This is because performance is very important for staff; it links to salary increase and promotion. I think the system is not yet ready for use here. I also think that before this system, people were working with a more team-oriented spirit.

One of the high-ranking executives agreed that internal tension within HRM existed, not only in terms of the conflict between teamwork and individual evaluation, but also between the teamwork principle and employees' individual pay:

Most staff here are the country's top academics and experts in their own areas. Therefore, when coming to a new performance evaluation system, which has a grading and quota system, it is very difficult for some of them to accept that they may not achieve an excellent status. There is also a problem when all staff here work very hard but, when it comes to payment, people still get different pay levels in accordance with their ranks and positions.

In fact, the grading and quota system within the new evaluation system caused many difficult confrontations between the Bank's managers and their subordinates, which was evident in various circumstances. In terms of the individual versus collective source of evaluation, most of the research work, for example in monetary policy

recommendation, was done in teams, and the organisation of training courses by HR Department staff was also done as a team. But when it came to evaluation, which was linked to pay and promotion, this was done individually. In addition, secondly, in terms of the role of the evaluator, it is also crucial to note that, although with new 'performance criteria' to categorise staff in different performance levels, only supervisors' judgements were used to categorise staff into such different performance levels. However, the reason for developing such a new performance management system was to eliminate supervisors' bias from the evaluation system. In the BoT case, supervisors' perceptions and attitudes toward staff still had a very significant role even in the new performance system.

At the same time, it should also be recognised that among the managers who were interviewed, there was one senior human resource manager who suggested that the dilemma between teamwork and individual performance was not a fundamental conflict, and that it was a task of management to ease these tensions and achieve a compromise between such competing principles in the Bank:

Individual evaluation aims to get the best performance out of every employee. Teamworking aims for the best for the organisation. This might appear to be a conflict, however both are supporting each other. It is management's task to ensure that each individual gives her/his best to the organisation for maximum profit, and at the same time to ensure that employees are working together effectively and in harmony.



However, according to the researcher's experience during his time at the BoT, the above attitude seems to be too optimistic and may overstate the management's capacity to eliminate those tensions within HRM. Different sets of interests and priorities existed in the Bank. In 'teamwork' terms this meant a team at 'team' level, a team at 'section' level and a team at 'department' level all had different outlooks and priorities. Recognition of these different levels of 'teamwork' underlines the ambiguities in management policies and the problems they may face in accommodating the interests and priorities defined at these different levels. For example, no matter how hard employees were encouraged to work, they were paid in accordance with their rank and position. At the very least this diagnosis recognises that HRM needs both skillful management and further adaptation in order to be used effectively. Thus all of these above commentaries recognise that the BoT's HRM programme faced challenges and limitations, though these managers differed in their assessment of how and to what extent these challenges and limitations may be overcome.

In this case, the question is whether the 'teamwork' meant the same team, or the same section, or the same department, or even seeing the whole BoT as a team. In terms of BoT's work structure, the organisational structure of BoT was divided into different 'departments', with various 'offices' and 'sections' under each department, and several 'teams' were operating under each section. Each team had a manager (or 'team executive' as called in the BoT) acting as a team leader. Therefore, the word 'team' was more associated with this lowest level of organisational structure, rather than a higher level. Consequently, in terms of work process in the Bank, 'teamwork' normally referred to the situation where members of staff were working together in

the same 'team'. At the same time, in practice, it was common for the Bank's work to involve inter-team, inter-section or inter-departmental work. For example, if work came in the form of a project, such as reform projects in the employment relations reform, a working team for each project involved staff from various departments.

Another example of tensions within HRM can also be shown from the managers' concerns over the issue of career development versus training. The roles and implications of career development and training within the BoT's new HRM programme worried some managers. For example, one was particularly concerned with the widening gap between 'high-potential' staff and the rest:

I have previously expressed the criticism that the proposed HRM programme would result in conflicts in some places. For example, career development, which focuses only on fast-track people, is likely to result in a status division among staff. This is a further step in the existing status division between scholarship and non-scholarship staff.

(Manager, a finance-related department)

This tendency followed from the BoT policy on specifically developing a focused group of staff. This means that if a staff member was judged to have 'high potential' by the Bank's high-ranking executive committee, for example from her/his work performance and related experience, then she/he will be given more opportunity in terms of training and development. This was to strengthen such staff's performance and potential for a further career advancement to critical executive positions of the Bank. However, this did not mean that the BoT did not provide training and

development opportunities for other staff. A number of varied training and development programmes were available for the staff, ranging from soft-skills such as presentation skills to technical skills in the central banking system. However, the concern of the above manager focused on the fact that there was a certain group of staff receiving more opportunities than others, which could potentially widen the gap between the high-potential staff and other employees.

This aspect of the BoT's HRM programme reflected a dilemma captured by the contrast between hard and soft versions of HRM (see discussion of hard and soft HRM in Chapter 2). The range of training opportunities for all staff represents the 'soft' side of the management of human resource within the BoT, where the Bank's management saw employees as capable of development and thus provided a number of available training and development programmes. The variety of such programmes was considerable. Staff could learn general skills and knowledge such as an English language conversation course (with native English speaking teacher employed specifically for the BoT), or the employee might want to improve her/his skill in using programmes such as Microsoft Office (Words, Excel, Powerpoint, etc.). These 'soft skills' training courses were, of course, available for free for all staff. This was in addition to technical skill and knowledge training and development programmes, such as a course on the central banking system, which were compulsory.

In fact, in contrast to the rare availability of training and development programmes at the BoT before the reform in employment relations, training and development programmes became parts of employees' everyday life after the introduction of the new HRM programme. Technical skill and knowledge training and development



programmes were compulsory, and the Bank also encouraged staff to participate in the general skill and knowledge training and development programmes. This can be seen from the fact that, for example, some general training programmes were also available during weekend and late evenings of weekdays: this was for the staff's convenience to join such programmes.<sup>2</sup>

However, the 'hard' side of the BoT's HRM programme was reflected in the policy to select only 'high-potential' members of staff to receive an intensive training and development programme, which also included working with outside organisations such as the Stock Exchange of Thailand (SET) to gain more experience in the financial sector. The BoT's management had a policy of focusing this programme on training and developing a special group of staff, or the 'star'. or high-potential, staff members. The 'star' staff referred to 175-200 members of staff that were the 'stars' in their own teams or sections. There was a special committee of the Bank, consisting of high-ranking executives and a human resource manager, dedicated only to selecting and developing these special staff. It was supposed to be confidential which staff were designated as 'star' staff. However, the identity of most 'star' staff was well-known throughout the Bank. This resulted from the way in which the Bank treated these staff. It was obvious because if an employee was sent to work in another leading financial organisation, or was being constantly rotated to different jobs around the Bank (both financial and non-financial jobs) in order to have multiple skills, it would be easy for people to guess that such a person was a 'star'.

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<sup>2</sup> However, as will be discussed in detail in Chapter 8, when the employees' concerns over the new aspect of training and development programmes are considered, the problem in the new way of training was that many staff still felt that the available training and development programmes did not really serve their needs. There was also a question about how the training and development programmes contributed to the Bank's success. This issue will be further investigated in Chapter 8 where employees' responses will be considered in detail.

It is not surprising to find that most staff the researcher came across, both during his working time in the BoT and during the course of the formal interview, felt discouraged about this method of developing a selected group of staff. The staff's responses to this issue will be discussed in the following Chapter where the employees' responses will be examined. However, it is worth stating here that, to some extent, employees, the majority of whom were not 'stars', felt that in terms of career development they might be left behind by these elites. This was because the 'stars' were normally the ones with high performance and potential in the first place. Being trained and developed intensively would further widen the gap between them and other, ordinary, staff. This meant that no matter how hard an ordinary employee worked, she/he would not be able to compete with the 'star'. This led to frustrations among staff about their careers in the future.

Only a minority of managers identified problems with such elite training programmes. Many of those interviewed did not perceive any serious conflicts within such new HRM initiatives. But they nevertheless felt that the success of the HRM programme depended on many other factors. One view, articulated by one of the Bank's human resource managers, implied that HRM would be successful in the Bank only upon certain conditions:

Individual performance is the key. If a certain employee is really good, she/he will certainly be considered for the fast track [or the 'star' status]. Therefore, the main problem is whether each individual employee is evaluated accurately by their superiors and without any bias or prejudice.

This manager argued that the key to successful and conflict-free HRM for the Bank was to make sure that performance was measured accurately. Other managers also accepted the HRM programme in conditional terms and then suggested how HRM could be effective for the Bank by adjusting the programme to suit the specific conditions of the BoT:

We should look at everything in the whole big picture first, so we will know what to do. But nowadays people are just doing their own pieces without integrating everything together. However, I personally agree with all new initiatives being implemented now; but we should be looking more closely at the integration issue.

(Manager, an internal service department)

I do not see any conflicts in any new HRM practices as long as the system-design processes of different projects are supporting each other.

(Manager, a finance-related department)

I think there is not any contradiction if we have a clear goal and performance indicator for each unit.

(Manager, an internal service department)

The above quotations suggest that it is necessary for HRM programme to be adjusted to suit particular conditions and arrangements of the organisation in which it applies. The above managers implicitly acknowledged this fact by stating that in principle they



(A junior human resource manager, who had previously  
worked with a number of reform projects)

It depends on people. Positively, we should see all new  
initiatives in an integrated picture.

(Manager, an internal service department)

According to these managers, the 'right' attitude toward reform was what was needed for the HRM programme to be successful. For example, the above manager from an internal service department further suggested that everything depended on each person: if a member of staff had a positive attitude towards the reform, then the reform was more likely to benefit the Bank as a whole. The manager who worked on a number of reform projects even added that because people were working for an individual reward, for example a salary, there should also be another type of reward based on team performance in order to achieve a compromise among the internal tensions.

The consideration of these managers of the need for appropriate attitudes among staff also raises a more general question about the responsiveness of managers to staff attitudes and the basis on which they envisaged staff involvement. Generally, the advocates of HRM assume that 'good' employees will welcome these policies and they also neglect the importance of different perspectives and interest groups within the organisation. Firstly, the BoT's managers usually adopted a unitarist ideology toward employment relations. This was reflected in their interview statements when managers seemed to suggest that staff should accept whatever had been proposed by the Bank's management. Secondly, the new HRM initiative itself did not provide

much opportunity for employees to be involved in its process. A good example concerned the new evaluation system, where an employee was not involved in any part of the evaluation process, apart from agreeing her/his goals with the supervisor at the beginning of each year.

The approach to the implementation of HRM also revealed another dilemma in terms of managers' attitudes. According to one of the above managers, who had worked with a number of reform projects, the Bank was not strict enough since it allowed too many people to get grade A at the same time. In the private sector, according to the same manager, only a few exceptional staff would get a grade A for their performance. By contrast, however, another manager who had worked for the Bank for several decades, suggested that the working atmosphere within the Bank was too tense because people were focusing only on getting a better grade. As a result, the 'family atmosphere' was beginning to fade out. Thus one manager advocated a more stringent implementation of grading, while another felt that the emphasis on grading was having a negative effect on staff morale.

In fact, these contrasting perceptions of the new HRM programme are understandable if the managers' backgrounds are considered. Thus the manager who suggested that the Bank was not strict enough was a junior manager who had worked with a number of consultant companies and in several reform projects. This manager graduated from abroad and was also sent to work with another leading Thai organisation for a period of time, probably as a part of the 'star' programme. Therefore, this manager represented the group of younger, mobile, and 'elite', who were more committed to a Western concept of HRM which emphasises a strong performance-related system. On

the other hand, the other manager was an administrative secretary who had worked for the Bank for several decades, and represented the group of staff who believed in the Bank's more relaxed or 'family' atmosphere, involving broader authoritarian paternalism and a patronage system.

This particular example of different employees perceiving the same thing differently is the result of the perceptions rooted in HRM versus the older system of management. The BoT's new HRM programme argued that staff need to be committed to the firm for them to perform effectively, but at the same time it emphasised the measurement of each individual's performance. This resulted in two contrasting ways of thinking among the BoT's management staff. In addition, although HRM stressed staff commitment, the way in which staff were treated through the HRM programme, such as the emphasis placed on individual performance, did not foster widespread staff commitment toward the organisation. As illustrated in the BoT case, the sense of commitment to the workplace, as expressed in a shared 'family atmosphere', seemed to be declining under the performance evaluation system of the new HRM programme (see Chapter 8).

#### 7.1.1 Process of HRM Implementation: The Need for Time, Leadership and Communication

Another theme arising from managers' attitudes and perceptions was the importance of time and leadership in relation to the implementation of HRM. Some managers suggested that the success of the HRM programme in the BoT remained uncertain and depended on wider circumstances. In order for the programme to be successfully implemented, other factors, ranging from a larger time period for implementation to the provision of an appropriate role model by senior executives, were needed. For



example, a manager from an internal service department stated that more time was needed to implement the HRM programme in the Bank:

We need to be patient, as this reform will take some time to yield its benefits.

One of the high-ranking executives also agreed that, in terms of HRM and corporate cultural change, success depended on several factors and conditions:

Executives, especially the high-ranking ones, need to set an example for cultural change.

This quotation indicates that there was a need for effective management of the new HRM programme in the BoT. The role of executives and of each department should be re-defined. However, such a call for more leadership was less straightforward than it might appear. This was because, as the high-ranking executive responsible for the employment relations reform suggested, some of the senior executives did not believe in, or were not bothered about, the reforms. Thus they did not try to behave as examples for non-executive staff. There was a joke among staff that, although the reform (especially in terms of cultural change initiatives) emphasised 'open communication' (where staff should be able to express their feelings openly in work-related matters even to their superiors), it was still impossible for staff to do that because their superiors would not like it. Staff clearly did not want to be marked as a 'trouble maker' by their superiors by arguing with them.

The discussion in the above paragraphs also indicates that the HRM programme in the BoT operated with a unitarist ideology, which was in contrast with the reality of organisational pluralism. The reason for some executives to ignore the new HRM programme seemed to be that they were not involved and consulted during the formation of the new human resource policies and practices of the Bank. According to the process of the development of new human resource policies discussed in Chapter 6, both by the consultant-led team (policies in English version) and by the Bank's own team (policies in Thai version), the development of such policies ignored the potential involvement of other staff within the Bank. The working teams seemed to believe in their own expertise in human resource matters and thus there was no consultation with other members of staff either at senior executive level or lower in the organisation. Therefore, most of the time, the policies were 'shelved' by managers, who hardly acknowledged their existence. This was often due to the fact that managers simply did not see the importance of such policies. As a result, there was widespread ignorance about these policies. One member of staff, a team member of a team in a line department, had no idea that there were human resource policies with his manager. This employee even believed that the manager her/himself did not know about the existence of the policies. When the policies were distributed to the team it was suggested, the team secretary might have put the policies in the cupboard for the manager, and that is where they stayed.

The above situation also points up the fact that communication between the reform projects and other members of staff, especially managers, was inadequate. In fact, a lack of communication between staff was a potential threat to the success of the HRM programme. According to the researcher's own experience, communication within the

Bank was often extremely difficult when the HR Department required information or assistance from other departments in terms of human resource-related tasks. Many of the staff did not pay much attention to the issues of employment relations. When asked for a reason, the majority of the staff the researcher came across replied that they thought such issues were far removed from their own jobs and careers.

Although there were various means for the reform projects to communicate to staff, such communication was not as effective as it should have been. For example, the reform projects normally used the newsletter and e-mail to communicate with staff about the reform. There were, however, a number of projects going on simultaneously. As a result it was possible that numerous newsletters arrived on staff's desks and e-mails in staff's inboxes. In fact, some staff complained about the quantity of communication papers (for example the newsletters) they received each week. The e-mail messages from reform projects were also seen as too numerous and they were often seen as non-work related matters and discarded.

As illustrated by the problems in the implementation process of the BoT's new HRM programme, there were a number of problematical issues involved with HRM, not only inside the HRM itself as discussed in the previous section, but also outside HRM in terms of its implementation, for example the problem in communication of new policies, or the lack of role models from senior executives. This study seeks to point out that, in practice, the Bank's senior management and their consultant, who introduced the HRM programme into the BoT, did not really address these problematic issues. Indeed, the HRM programme itself did not provide clear solutions for such issues.



#### 7.1.2 Non-HRM Priorities of Line Managers and Subordinate Role of HRM Specialism

The emphasis of the HRM programme on delegating human resource work to line managers also caused further complication within the BoT's operations. This issue is important because the Bank's managers were affected directly by the requirement of line managers' involvement with human resource tasks. Firstly, line managers were not given much training and support in terms of HRM. Secondly, the resources did not seem to follow: line managers were left to perform HRM tasks by themselves, rather than being given additional manpower for secretarial work. Finally, line managers had other non-HRM tasks which they regarded as more prestigious and having more priority.

During the researcher's fieldwork, it became clear that the main experts within the BoT were sceptical about the human resource profession. Although this was partly due to the fact that the previous performance of the HR Department had not been good, the introduction of HRM worsened the situation. The notion of delegating human resource tasks to line managers, as recommended by the new HRM programme, did not appreciate the fact that line managers first had to be persuaded of the importance of the management of human resources before delegating the human resource task to them.

Since 1998, the BoT has established positions of departmental human resource managers in every department by rotating this responsibility among line managers in the same department. The Bank has also attempted to give more responsibility for human resource-related matters to other line managers. This initiative was derived

from the new human resource policy of the Bank in de-centralising human resource matters to line managers. The central principle was that, since line managers were the ones who work with their staff and thus should know them best, they should look after their own staff. The Bank's senior human resource manager stated that:

In a functional organisation, where there are different functions performing different tasks with their different expertises, line managers have always played a minor part in their subordinates' management. Managers, for example, sometimes have no responsibility for interviewing their potential staff in the recruitment process; and salary increases and bonuses have always come directly from the executive board, with managers playing a very small part in this process. Line managers or supervisors should have higher authority in human resource-related issues. The principle of 'one man one boss' should be used. One employee reports to only one boss, and that boss is responsible for both positive, (e.g. reward) and negative (e.g. punishment) issues in relation to that employee. The good thing in this is that line managers will be able to know what is going on with all their subordinates. The HR Department only acts as a policy-maker and regulator for the line managers to follow, and acts as a partner for line managers in human resource-related matters. In other words, the HR Department is now a 'decision advisor' while the line managers are the 'decision makers'.

One of the junior human resource managers agreed:

Line managers should be involved more in managing their staff. In the past, they [line managers] understood that human resource-related tasks were not their responsibility. However, now they have to understand that in order for their functions to succeed, they must look after staff for them to have high morale and high quality.

However, in practice, the interviewees who were line managers (and some of them were the current departmental human resource managers) expressed concerns about certain problems in relation to their human resource tasks. Some of them asked whether the line managers were ready for their new responsibilities. Some were concerned about the fact that the manpower for departmental human resource jobs was insufficient. Not only that, departmental human resource managers also had to take responsibility for other administrative work.

In terms of the concern about line managers' lack of the necessary skills and knowledge in human resource tasks, a junior human resource manager and two departmental human resource managers agreed that, although the line manager's involvement with human resource tasks was necessary, adequate skills and knowledge were required:

Line managers should see that effective staff normally lead to the effectiveness of their work as well. Therefore, it is crucial for all line managers to look after their staff.



However, the Bank should also provide a better system for helping line managers in human resource-related matters.

(A junior human resource manager)

The departmental human resource manager's position is necessary for the Bank. The position will help to make the Bank's human resource tasks more effective. The HR Department only looks at the overall picture of the Bank's employee management, while departmental human resource managers concentrate on carrying the tasks out. This also helps communication between the HR Department and the staff. People who have worked as departmental human resource managers also have more variety of experience than those who have not. However, the Bank has to provide more of the necessary skills and knowledge for people in such a position.

(A departmental human resource manager)

I agree with the concept; however there is also a limitation in practice. Human resource tasks are new for line managers. The Bank should offer more education in related knowledge and skills.

(A departmental human resource manager)

In practice, the line managers did not receive any special training for their new roles in human resource work. During one of the meetings between the HR Department managers and departmental human resource managers in August 2000, the main

concern was that the line managers did not have sufficient skill to perform the human resource task. For example, departmental human resource managers had to give suggestions or recommendations to staff if they come to consult them, even on non-work matters. However, the managers did not receive any training in counselling technique. In addition, line managers were also responsible for communicating with staff in terms of new human resource initiatives or practices, such as how to fill in the new evaluation form. The concern was that the managers themselves still did not fully understand about the importance of the form and how to fill in the form, therefore giving suggestion to staff proved to be difficult.

The comments of other departmental human resource managers suggested that other factors beside training were also important, especially resources. Thus many departmental human resource managers from different departments across the BoT were concerned about the fact that departmental human resource managers had insufficient manpower:

The main problem for departmental human resource managers is that little manpower is available. This sometimes results in work being done slowly so that deadlines cannot be met. The Bank needs to provide a system or technology to help.

In the past, human resource tasks were thought to be only the HR department's responsibility. But now, I agree, it is the responsibility of every manager. However, the Bank should educate line managers more in human resource-related skills

and knowledge, as well as giving more manpower to departmental human resource managers.

Departmental human resource managers do not have enough manpower.

Departmental human resource managers have too little manpower to undertake such a variety of big changes occurring now in human resource practices. The departmental human resource managers, who mostly are financial experts or economists, now have to learn new things [HRM] and perform them at the same time.

Each departmental human resource manager has only very limited manpower, but this position is supposed to do everything. By comparison, when you are a manager in another position, you have subordinates to do it for you. This has also resulted in making some line managers feel that human resource tasks are too time-consuming and unimportant. The Bank has to give departmental human resource managers more manpower and allow more time to gain the necessary skills and knowledge.

The fact that these departmental human resource managers did not have sufficient manpower was worsened by the additional problem that the departmental human resource manager also needed to perform other administrative work, which should not



have been their responsibility. Thus more departmental human resource managers from different departments stated:

The scope for departmental human resource managers is too wide: the managers also need to perform other administrative jobs as well as other low value-added tasks.

The departmental human resource manager here also has to look after the budget and strategic planning.

Although my attitude towards human resource tasks is positive, however I think that departmental human resource managers now have additional work, such as administrative and clerical work, which is really not work for a human resource manager. This might result from miscommunication: some tasks that no one wants to do, people just assume that such tasks belong to departmental human resource managers.

As a result, the following three departmental human resource managers all agreed that the negative image of the departmental human resource managers meant that staff did not want to be involved with such positions:

It seems that not many people want to perform in human resource-related positions. They might aim to be promoted to economic and financial positions. This is also due to their

lack of necessary knowledge to perform human resource jobs.

At first I was surprised that I had to work on human resource tasks, but when I was given the reasons, I began to understand. However, there are still many executives who do not see the importance of human resources, and this has resulted in delays in many human resource-related tasks.

Departmental human resource managers seem to have less co-operation in human resource matters from other line managers and staff in the department.

In the light of this range of comments from departmental human resource managers, it seems that the BoT faced several problems concerning their position and role in HRM policies. The managers did not have enough manpower working for them. This is true if we consider that other line managers, who were at the same level as the departmental human resource managers, normally had around 15-20 staff working for them. Moreover, the Bank also did not provide any relevant training and development for those line managers who were rotated to the position of departmental human resource managers. The precise scope of the departmental human resource manager's work was not clearly identified. For example, during the course of the interviews, the researcher was told that in one department the departmental human resource manager was also responsible for copy-machine maintenance. Finally, most line managers still regarded HRM tasks as less important than the main activities undertaken in their

own departments, and there was a reluctance among many to be 'sidelined' in an HRM role.

The HRM view that human resource tasks should be undertaken by line managers was not being successfully implemented in the BoT case. This was due to the fact that the new HRM programme neglected a range of relevant issues that needed to be taken into account in this respect of delegating human resource work to line managers. One of the departmental human resource managers summed these points up:

My own expertise and profession in the Bank are very far from human resource work. I sometimes feel it is a waste of resources for my expertise to be working on such issues. In addition, departmental human resource managers' work is sometimes not about managing people at all, for example sometimes they have to act like a buffer among different interest groups within a department. On the other hand, more people now have wider knowledge, including how to manage staff, and this strengthens their ability. In addition, every executive will eventually have skills and knowledge in HRM through the system of job rotation. I personally agree that line managers working on HRM themselves will benefit the Bank as a whole, although there have been problems at the beginning of such a system.

From the above quotation, there was still an optimistic view among some managers about their role in HRM in the future despite experiencing certain problems. At the



same time, it is unclear whether HRM issues can ever be dealt with just in terms of managing individual staff, rather than involving the more 'political issues' of negotiating among different interest groups, for example acting as a buffer between interest groups may be quite an important HRM activity if one has a more political view of how the organisation works. Nevertheless, an optimistic view of the future for HRM in the BoT was also expressed by two junior human resource managers, who believed that although the situation might appear problematic, in the long run the Bank would benefit:

You cannot give all the human resource-related tasks only to the HR Department. Line managers also have to take responsibility for managing their own staff, from rewarding to disciplining, with the help of departmental human resource managers and the HR Department as supervisor. However, this is just the beginning period; it will take time. It will be better in the long term.

In this time of transition, we should not have forced line managers to take on too many of the human resource-related tasks just yet. The HR Department should still be helping with most of the tasks. However, in the longer term, it is the line managers' responsibility.

Not surprisingly, the Bank's senior human resource manager similarly concluded that this notion of delegating human resource tasks to line managers would eventually benefit the Bank as a whole. Thus the senior manager defended the new system.

arguing that although it may include other non-human resource work and other problems similar to those identified earlier, in the longer term this position would eventually benefit the Bank:

The task was first set to focus on human resource matters only. However, in the first few years the departmental human resource manager positions should also include some administrative work, allowing time for human resource-related tasks to be set up. Also, the BoT staff in general might not accept the idea at that time if they were told that there will be new positions especially for human resource-related matters in each department. This is just temporary: in the longer term departmental human resource managers will be responsible only for human resource-related matters.

However, such an optimistic view toward the HRM programme seems to be overstated. Even in the long term, it seems that the BoT's line managers are unlikely to have a better attitude toward human resource tasks unless the human resource profession is seen as crucial in the BoT. This is the issue of how the human resource work is seen by other staff in the organisation. In this regard it is appropriate to recognise two important analytical arguments about competition among organisational professions in the Western literature. One argument, emphasised in the work by Friedson (2001), highlights forms of professional identity by analysing the internal character of profession and professional regulations, and looking inward into the profession and see how it regulates itself. The second argument is based on the work by Armstrong (1991), whose argument is looking more outward. Armstrong

considers how different professional groups compete with one another within the organisation and in the wider society, for prestige, resources and power.

The work by Freidson (2001) believes that professionalism means the circumstances in which an occupation becomes able to organise and control its own work. For any discipline to be seen as a 'profession', Freidson (2001) argues, it needs to consist of the development of a specialised body of formal knowledge and skill. A profession also requires a group of like-minded people who learn and practice it, identify with it, and distinguish it from other disciplines. They (the people who work in the same profession) must also recognise each other as colleagues, by virtue of their common training and experience with some common set of tasks, techniques, concepts and working problems. They are also inclined to seek out each other's company. This is what Collins (1979: 58 and 134) called 'a consciousness community... formed on the basis of common and distinctive experiences, interests, and resources'.

If we use the above framework from Friedson (2001) in the BoT case, it leads to the conclusion that in the BoT there was no human resource profession. This is because there was no such distinguished 'human resource discipline' in the Bank. In fact, the BoT emphasised the extent to which the finance and economic people had quite a high degree of autonomy. By comparison, human resource people had a much lower degree of autonomy, they simply had to do what they were told to do. All the human resource work depended on other factors, such as how much support was provided by the senior management. Not only that, the unimportance of human resource management in the BoT was also indicated by the fact that other clerical and



administrative jobs were also seen as the responsibility of the departmental human resource manager (as discussed above).

In addition, HRM was not seen as a distinct profession in the BoT because very few staff were trained to be human resource specialists. The Bank rarely recruited staff solely for the purpose of using them in human resource tasks. For example, in terms of scholarship students, the Bank did not pay much attention to training human resource specialists: most of the scholarships went to the economics and finance professions, which were the main operations for the Bank. This limitation also applied to staff working in the HR Department. As one of the country's major economic and financial institutions, the majority of the BoT's staff were trained in economics and finance. However, when some staff thought that they could not compete with other elites in economics and finance, they simply requested a transfer to the human resource-related departments for a better chance of promotion. In fact, this was always the case because staff from finance and economic departments always had a higher (postgraduate) degree, some from leading foreign institutions, unlike staff in the human resource-related departments. Also, if an executive could not be promoted in line departments, the usual exit was to promote her/him first to a human resource-related position and then to another management position later. This was evident by the fact that almost all high-ranking executives (Assistant Governors or above) who oversaw the Bank's human resource policies in the past had developed their careers earlier in finance and economic-related departments. This sometimes resulted in a lack of continuity and coherent pattern in human resource tasks.

A more 'outward' argument, emphasised by Armstrong (1991), suggests that a profession is a form of control over an area of expertise in managing a workforce. 'Competing' professions within the firm struggle to gain the dominant position. It has been argued that control strategies are based on a generalisation of the technique and knowledge possessed by 'professional' groups in competition for the key positions within the firm. However useful the human resource specialists may or may not be, the human resource profession can gain a positive recognition only if it is perceived to be useful for the Bank's operations. However, if the profession's knowledge is too accessible to outsiders, its attempt to gain recognition could fail since the profession may then be dispossessed of its strategy. In this respect, as Thomason (1980) suggests, the essential difficulty of the human resource profession is that the human relations and social skills, which are the main assets of the profession, are too indeterminate to form a sufficiently exclusive and distinct basis on which to claim a monopoly.

Several factors in the BoT did not support the human resource profession's attempts to gain influence within the Bank. The role of the BoT's own human resource specialists had historically been limited to administrative human resources and low-value added tasks. This was partly due to the fact that the human resource practices of the Bank were not up-to-date:

The BoT in the past always paid more attention to best practices in its main areas of expertise while neglecting the development of the management of human resources in the outside world.

(An Assistant Governor)

In fact, the human resource tasks were not seen as having a direct impact on the BoT's main operations in economics and finance. Although the very recent report from AEFTFC (1999) saw human resources as crucial for the BoT, it only gave a mandate to BoT senior management to bring in change but it did not necessarily help human resource people to develop their distinctive roles in the Bank. The human resource tasks involved skills and knowledge that were 'too accessible' by the different professions, resulting in a further devaluing of the profession's status. In addition, in the BoT there was no form of external support to help the human resource profession to gain influence. This is in contrast, for example, to the UK, where in the 1960s, as Thomason (1980: 33) puts it, 'the spate of employee legislation and codes of practice have enabled both the IPM and individual practitioners to acquire status enhancing power'; and moreover 'the state response changed the balance of power as between personnel practitioners and line managers which allowed the former to enhance their discretion' (although this assessment is very historically specific and in the next two decades the wider context changed again by another shift in balance of power against industrial relations specialists and toward managers' management prerogative).

The question here is whether the introduction of HRM helps the human resource profession to gain more influence in a firm. This was unlikely in the BoT case, because HRM did not pay enough attention to building a new and positive image of the human resource profession. It needed to be made clear to all line managers and staff that human resource tasks were crucial to the BoT's operations and performance. This failure was partly due to the lack of effective communication in the Bank.



According to every Modernisation Programme Office newsletter, the high-ranking executives always stressed the importance of the reform to staff. However, this only produced a small impact, as staff in general did not perceive HRM as important to their career advancement. The introduction of HRM did not provide an immediate solution for a better human resource situation at the BoT. Certainly, the executives needed to assume a stronger role in setting an example. This again confirms the argument that HRM alone could not do what was expected of it; other considerations and factors needed to be taken into account.

## *7.2 Conclusion*

This Chapter aims to use the managers' responses from formal and informal interviews to illustrate the application of HRM in practice in the BoT. Data and information concerning managers from other research methods (participant observation, documentary analysis and work experience) were also used. The result was that it was possible to identify a range of problems and challenges in applying the new HRM programme to the BoT. Such problems were partly due to the character of the new HRM programme itself and partly due to the way in which it was implemented. The BoT managers' experience points to the fact that in order to apply the HRM policies in practice, there are a number of involved factors that need to be concerned.

There were also important themes emerging from analysing managers' perceptions and attitudes toward the new HRM programme. The most fundamental theme argued that HRM has a unitarist character which neglects the reality of organisational plurality. Past institutional arrangements also helped to structure managers'

experience and expectations toward HRM. The BoT's managers also revealed that in the process of HRM's implementation, adequate time and effective leadership and communication were needed. The managers also had other non-HRM priorities and thus resulted in a subordinate role of HRM specialism.

It is crucial to stress here again that although these key themes are important, they only make sense when one sees them in relation to other features as well, because they are not just 'free-standing' features on their own. As stated earlier, the most fundamental argument is that HRM has a unitarist ideology, but the additional themes also help to clarify what are the basis of any different experience, expectations, and interests within the organisation. In other words, these additional themes allow this study to look at the issue of unitarist HRM in a more meaningful way by providing more concrete evidence in terms of tensions and limitation within and surrounding the HRM programme.

## Chapter 8

### EMPLOYEES' RESPONSES TO THE PROPOSED REFORM

This Chapter considers the perceptions and attitudes of the Bank of Thailand's (BoT) employees towards the proposed reform in the employment relations system. The aim is to examine these attitudes and perceptions to show that the adoption of the human resource management (HRM) programme in the BoT has resulted in complications, confusion and anxiety among the Bank's staff, especially in regard to its HRM practices. In turn this suggests that the model of HRM neglects important and specific features of the organisation and employment relations of institutions such as the Bank. This Chapter also aims to investigate the dilemmas involved in implementing HRM as shown in our analytical framework (see Chapter 2).

The first section of this Chapter discusses the staff's concerns over the role of the HR Department, new training and development programmes, the new performance management system and the introduction of a cultural change programme. Firstly, staff tended to believe that the new policies needed to be effectively implemented and used in day-to-day practices, therefore the effectiveness of the HR Department was seen as crucial. Secondly, although with more training and development programmes than in the past, the lack of training-need analysis and post-training evaluation resulted in some staff not fully enjoying the benefits of the new training and development programmes. The situation where the BoT intensively trained and developed a minority of high-potential and high-performance staff also de-moralised other staff members in general. Thirdly, a unitarist approach to the new performance management system resulted in the new system being widely opposed when it started



to be used in the Bank. Finally, in line with some of the criticism of corporate culture discussed in Chapter 2, there was evidence of tensions and limitations in the Bank's cultural change programme, reflecting a gap between the rhetoric and the experience of staff.

The second section of this Chapter offers a discussion of how far HRM was actually replacing the existing structure of relations of the 'old model', and how far in doing so HRM provided its own basis for legitimacy and effectiveness. In choosing HRM as a strategy for institutional transformation from the old model, it was suggested that the BoT's senior management sought to move from one basis of authority to another and tried not to lose the power and authority that were part of the old model. However, this effort also resulted in problems, as expressed by staff's attitudes and perceptions, because it de-stabilised the established basis of social and authority relations. The BoT's experience suggested that the new HRM programme did not replace the old model unproblematically with a fresh basis of authority relations.

### *8.1 The Experience and Attitudes of the BoT's Staff under HRM Programme*

The purpose of this section is to demonstrate that the Bank's staff exhibited a range of responses – varying from enthusiasm to criticism and anxiety - concerning the reform of employment relations. An interesting feature evident from the staff's responses to different issues in the BoT case is that the language and declared objectives of HRM indicate a unitarist approach. In another case described by Scott (1994), British workers were sceptical toward HRM because HRM's unitarist approach did not recognise employees' concerns and interests. The response was rather similar in the BoT case. HRM just suggests what is 'good' and what the management should be

doing for the employees' benefits. However, certain practices do not meet employees' needs and expectations.

During the course of the research fieldwork in the Bank, some staff seemed to perceive HRM as positive, but nevertheless they tended to accept it only in principle. The following statements by two different employees are similar in this respect, although the first one is a junior member of staff who has worked in the BoT for only a few years, while the second one is a non-executive staff member who has worked in the Bank for some time:

I think human resource policies are good for the Bank's future, since it is such a popular topic nowadays. But I don't know how, it is a matter that is too far removed from my work. I don't know about the HR Department; they are even located in a different building. Also, now I know that human resource tasks are important; but if there is a limited time to do a job, I would choose to perform my positional work first. Most of the people here seem to think that financial and economic tasks are the most important.

The proposed reform certainly has an impact on the Bank's staff. However, the question is whether it is a positive or negative impact. For example, high-ranking executives have always stressed that we are not going to have redundancy in the Bank, but many staff still feel uneasy about this... There should also be a follow-up process to check whether staff really understand what the Bank is trying to say.

There was slightly different emphasis in the above two quotes. The first informant seemed to believe that HRM had potential but it was not actually happening, while the second one was more ambivalent about the HRM itself. Despite a number of attempts by high-ranking executives to communicate the HRM message to staff, some staff still felt uneasy about their future in the Bank. For example, during various employment relations reform projects, high-ranking executives met on several occasions with staff outside working hours to inform them about the projects, and there was an opportunity for staff to ask questions. Moreover, several internal newsletters included statements by high-ranking executives that compulsory redundancy would never be used in the Bank. However, staff were still worried about being made redundant. For example, despite all the Bank's assurances about not using compulsory redundancy throughout the year 2000, in early 2001 there was still an e-mail communication to a human resource manager asking for re-assurance about not using this policy.

The point here is that staff still felt uncertain about job requirements and job security under the new HRM programme. One secretary, for example, sees certain characteristics of HRM as a threat:

I have a kind of negative feeling about these new human resource policies. I do not know, and am not sure what is going to happen to me in the future. I think the new policies are good for the Bank, but I do not know what to do with them or, indeed, what the policies' impact is on myself.



A member of staff, who had served the Bank in several departments, also suspected the ability of HRM to improve the Bank's employment relations:

In principle I agree with the proposed reform of the Bank.

However, the new practices that have been used are not yet perfect; this is in line with some others I have talked to. For example, we have a quota system for grading people and evaluating people individually. This does not encourage a team-working system and thus in turn it might mean that the new desired corporate culture will not be successful.

The main concern here is to ask why staff were sceptical about HRM. In some cases staff also perceived HRM as a threat to them in their work and their career. The above interviewees' comments, together with other statements by staff during the research fieldwork, suggest that an atmosphere of uneasiness was evident under HRM. Staff always thought that the new human resource policies and practices should benefit themselves; however this was mainly because the management said so. At the same time, a range of issues resulted in staff experiencing negative feelings toward HRM.

#### 8.1.1 The Concern over the Role of the HR Department

There are different levels of criticism of the proposed new human resource policies under the new HRM programme. The first level of criticism can be regarded as 'mild', involving enthusiasm as well as criticism aimed at further improvement of the Bank's employment relations. It is believed that although the new approach towards employment relations might benefit the Bank, the new policies need to be effectively

implemented and used in day-to-day practices. The comments of three members of staff from different departments serve to illustrate this response. It is interesting to note that for these employees, in order to sustain the Bank's employment relations it is essential to improve the Bank's Human Resource (HR) Department:

Sometimes the HR Department still works according to orders and on a routine basis, not taking any new initiatives. They stick too much to rules and regulations, and never change anything before they are told to do so. Now we are proposing a new HRM. However, with the same people with the same attitude, this will be very difficult.

I think some results of the Bank's human resource tasks have not been what they should have been, so the upgrading of the standard for the Bank's HR function is necessary.

People in the HR Department still do not dare to take initiatives; they very much work on routines and orders. They should have more forward thinking and be more progressive.

However, this emphasis on improving the HR Department and its specialists was not in line with what actually happened. The introduction of key elements of the new HRM programme within the BoT, for example the introduction of the new performance system or the delegation of more human resource tasks to line managers, was pursued by the method of different working projects, as discussed in Chapter 6

and 7. Apart from some of the department's staff who were involved in the projects, the HR Department did not play any crucial role in the development of these new practices. Indeed, the department, which later was the implementer and enforcer of such new practices, was not specifically trained to cope with them.

This resulted from the fact that the introduction of the new HRM programme, using project teams with the guidance from the external consultant, did not involve the Bank's HR Department directly in the process. The department did not 'own' the projects, instead the Modernisation Programme Office (MPO) was the one that coordinated between different projects, even in the case of the HRM projects. This resulted in the HR Department lacking the necessary skill and knowledge in dealing with the new practices under the new HRM programme. This was clearly expressed, for example, in the case of the 'recognition' programme, which was a part of the Bank's cultural change programme. The recognition programme was the Bank's initiative in attempting to recognise staff who worked hard for the Bank, by giving out a prize every month. The design of this programme, for example how the staff should be chosen, was initially undertaken by a team from the MPO, and passed to the HR Department for implementation. Nevertheless, as one staff member expressed her/his feeling to the researcher, this was not fair for the HR Department. The department was not involved in the design process and thus had no understanding of the purpose and rationale of the programme.

What does this experience imply for our analysis? This situation implies that, in order for an HRM programme to be introduced and implemented more successfully, the involvement of different groups within the Bank was needed. The HR Department (or



the implementers) needs to feel also that they are responsible for any such programme. The MPO, or the designer, needs to see the importance of this situation by involving staff from the HR Department in the designing process. This would allow the specialists in the HR Department, who later have to implement the programme in practice, to insert some practical ideas about how the programme should be designed.

However, on the other hand, during his time at the Bank the researcher also felt that the HR Department was perceived by other non-HR staff as too slow to carry out any new initiative on its own. This was one of the reasons that the department as a whole was not involved much in the introduction of the new HRM programme. For example, one economist used to ask the researcher whether it was true that many HR Department's staff always went home at 4.30pm (the Bank's official hours are from 8.30am to 4.30pm). This question emerged because in the 'main' building, where the financial and economic departments are situated, most staff members there normally worked late until 6pm or 7pm before being able to finish their day's work. This resulted in staff from other departments forming the opinion that human resource tasks are not so significant because HR staff members have a lot of spare time.

This sort of situation implies that the HR Department should have been prioritised to be improved at the same time as the introduction of the new HRM programme. This is crucial because the HR Department is the implementer and enforcer of all the new initiatives and practices. However, the proposed reform, or the new HRM programme, seemed to neglect this fact. Although the consultant also suggested that the HR Department should have a new organisational structure in line with the new human

resource policies, there was no serious attempt to improve the role of the HR Department's staff. There was also no attempt to train the department's staff in terms of knowledge and skills appropriate to the new initiatives and practices under the new programme. This is interesting when we consider the literature review in Chapter 2. Most of the HRM models reviewed in Chapter 2 give a considerable degree of importance to the role of the HR function in the organisation. However, in terms of the BoT's HRM programme, the emphasis was on the new practices and initiatives, while the appropriate role of the HR Department was not prioritised.

#### 8.1.2 The Case of the Training and Development

The next level of criticism from staff members is a stronger, and more negative, criticism towards the aspect of training and development under the new HRM programme. Firstly, it was feared that staff, apart from executives and those with high potential, would be excluded under the HRM programme. The following junior member of staff was sceptical because she/he felt that the new policies were known only among a limited number of staff:

The new human resource policies are likely to have very little impact on the lives of the BoT's staff. This is because the policies are known among a limited number of personnel. It also has not been explained to myself, one of the people having a direct impact from such policies.

In fact, during the course of the research fieldwork, the researcher observed that most staff were aware that the Bank was developing new human resource policies and

practices, for example through the e-mail communications about the projects. However, as illustrated by the above interviewee's concern, staff tended to be afraid of being left behind. Many staff did not know what the policies were for. Some were afraid that the policies only focused on developing high-potential staff (or the 'star' staff as discussed in Chapter 7). This created fear among staff in terms of an increasing gap between ordinary and 'star' staff.

The situation of the high-potential (star) staff is summarised here (see detailed discussion in Chapter 7). The Bank's management had a policy of focusing on 'star' employees and giving them an intensive and inclusive training and development programme. This was based on the belief that, since these staff had the potential to be executives of the Bank in the future, the Bank had to focus on them and give them proper training and development in a wide range of areas. Such training and development included, for example, rotating staff to different positions to acquire multiple skills or sending staff to work with other organisations to acquire more knowledge and skills. This programme of concentrating on 'star' staff was widely known in the Bank, although it was supposed to be confidential. Therefore, many staff felt that being excluded from such 'star' status somewhat de-moralised and de-motivated them.

Under the new human resource policies, the Bank intended to improve the situation of ordinary staff in terms of training and development by providing more opportunities and facilities, unlike in the past where training and development were reserved for executives and high-potential staff. The current situation is that the Bank now sees improved training and development as crucial for the organisation's success. Under



the new human resource policy on training and development, there is even a statement indicating a minimum requirement for each staff member in terms of training and development. At the same time, nevertheless, there have also been concerns that the new training programmes might not reflect the staff members' individual needs.

A number of training courses were available for the Bank's staff. The courses focused on both technical (for example central banking system) and non-technical or soft (for example presentation and meeting techniques) skills. However, there were still some concerns from staff members that there was insufficient consideration of the real needs for staff training. For example, one staff member told the researcher that although the training courses the Bank provided were useful, such courses were usually too general. The staff also wanted specific work-related training courses, especially those relevant to their own job functions. There was some recognition that this type of course was available, but it was felt that there was not enough provision and the Bank should provide more of this kind of specific course. In addition, there was also no method for post-training evaluation, in order to assess whether trained staff could work with a higher performance on the basis of their new, or enhanced, skill and knowledge. The interviewees from three different departments agreed that these problems were important:

Although we now have much more training than in the past,  
things like follow-up or post-training evaluation are lacking,  
which means that sometimes the benefits of training are not  
used effectively for work.

There are so many training and development programmes nowadays, but such programmes lack the practical application for staff to apply to their work.

In the past, training and development were much less available. Now we have like a rule saying that each staff member must pass a certain number of training programmes in a year. However, it seems too much nowadays. Also, there seems to be no analysis of training needs for each individual staff member.

The above quotations draw attention to inadequate communication by management and the lack of post-training evaluation. These concerns raise the question of whether the Bank still tends to focus on the minority of staff who have high potential (the 'stars'). Staff in general have tended to have less opportunity and thus fear being excluded under the new HRM employment relations approach. For example, staff with high potential were assigned to teams for different reform projects. High-potential staff were also considered attentively and directly, in terms of their training and development needs, by the Bank's senior management. The career path of the high-potential minority was also determined in advance. Therefore, the main question here is how far the structure and resources of the Bank actually contribute to the development only of a minority of the staff.

In addition, the fear of not being 'developed' properly by the Bank also leads staff to worry about their career paths. This is reinforced by the fact that the Bank's promotion system for staff at the non-executive level lacks clarity. Even one of the

Bank's Assistant Governors agreed with this assessment during the course of the interviews. This is in line with the view of two other staff members, one a veteran from an internal service department and one a new recruit from a line department:

Even with the current reform nowadays career path development [for those in non-executive levels] is still not clear for me.

I believe that the BoT is quite fair in promoting and developing people according to their potential. However, I still do not know what is the main criterion for me to get a promotion here.

According to the above discussion and quotations, the BoT's HRM programme is still experienced as rather confused; and in turn this reflects real confusions and conflicts within the HRM policy itself. The BoT's numerous training and development programmes show the 'soft' side of HRM, where employees are valued assets and able to be developed. However, at the same time, the BoT's HRM is also 'hard' because it is selective (the 'star' programme). The HRM programme also reflected a unitarist ideology which underwrote management prerogative, as the lack of staff training-need analysis and post-training evaluation arose because the BoT's management tended to believe in its own decisions without further discussion with staff about their needs.



### 8.1.3 The Case of the New Performance Management System

The new performance evaluation system was widely opposed when it first started to be used in the Bank. Many staff believed that the new system was not yet ready. In fact, the system did result in some problems. For example, performance grades had quotas, so that, say, only 10 per cent of employees in each department could obtain grade A (excellent). A number of staff strongly disagreed with this, since they felt that everyone who was working hard and with an excellent performance should receive grade A. The criticisms of the new evaluation system led to later attempts by the HR Department to adjust the system. This included allowing staff to provide feedback about how they wanted the system to operate.

However, the overall approach to the new performance evaluation system still suggested that a unitarist philosophy was being followed. From the beginning, according to the consultants' report, the aim of the new performance evaluation system was systematically to evaluate staff's performance as a basis for the staff's salary increases and career development, as well as to improve the staff's performance. The new system, it was argued, was sophisticated and capable of accurately evaluating the performance of staff.

In practice, however, the new system resulted in several problems when it was first used in the Bank. The HR Department produced a summary report on problems in the new evaluation system. This report was a collection of staff complaints in relation to the new performance management system, and it documented several difficulties. First, the forms used in the new system were not clear to the parties involved in the evaluation process. In fact, this problem could have been solved by pilot testing the

forms before actually using them in the Bank. Secondly, and more importantly, the definitions and standards of performance evaluation were confusing. For example, certain jobs were extremely difficult to measure quantitatively, and the evaluator did not have clear and adequate instructions to follow for an accurate evaluation. Also, there was no clear indication of the criteria according to which the staff should be judged as 'excellent' (grade A). This resulted in several cases where 'too many' staff were given grade A by their supervisors.

The quota system for grades also resulted in some staff, who believed they deserved to get grade A, not being awarded this grade. For example, in some departments, especially in the finance-related departments, where there was a concentration of high-performance staff, the quota system resulted in staff being de-moralised, because grades were tied closely to salaries and career advancement. The method of forced distribution also failed to reflect the real performance of staff in individual departments. In some departments with a large number of high-performance staff, some staff were not given grades in accordance with their performance but on the basis of the remaining quota allocations.

The unitarist approach is also evident in the next major problem arising from the new performance evaluation system: the lack of opportunity for staff to represent their views on performance evaluation. According to the formal procedure of the new performance management system, a staff member is involved in performance evaluation at two points in the process. First, at the beginning of each year, each staff member had to set a work target for her/himself, and present this target to be approved by a supervisor. Secondly, when informing staff about her/his performance result, a

supervisor needed to inform the member of staff in person, in order to allow supervisor and staff an opportunity to provide feedback between each other, or 'two-way' communication. However, in practice, this proved to be insufficient.

In some departments, according to the summary report on problems in the new evaluation system produced by the HR Department, some staff had no chance to be involved in the 'performance feedback' process. According to several staff the researcher had a chance to talk with, some managers just did not allow them any opportunity to express themselves. And if the opportunity was allowed, the staff could not do anything about the performance result anyway. There seemed to be a presumption that the performance results from the system were accurate enough. When staff complained to the HR Department about this lack of opportunity, the Department perceived this as a failure of communication about the new system between the HR Department and staff. According to one human resource manager, it was seen that staff were not given enough information concerning the new system.

However, in fact, as the researcher observed through informal discussions with several members of staff, the lack of communication was not the main problem. The core issue was the staff's general lack of participation in the development process of the new evaluation system. This resulted in staff not feeling involved in the new system and thus responding in a negative way. Instead of suggesting solutions, many staff tended to point out the weaknesses of the new system and focus on criticisms of the system. Involving staff in general in the development process of such new initiatives and programmes might have resulted in staff feeling more positive toward the new programme and thus allowed a smoother transition.



In fact, the conflict between members of staff in general and the new performance system was quite a serious one. Some 'high-performance' staff, who did not get grade A due to the quota problem, requested a meeting with one of the Assistant Governors. This resulted in the Bank's high-ranking executives directing the HR Department to resolve these tensions and modify the new performance management system to suit the particular conditions of the BoT's staff. This case of the new performance management system suggests that the unitarist approach of the new HRM programme led to the dissatisfaction of employees and conflict between employees and the Bank. In an organisation such as the BoT, which has a large number of employees, the staff structure is inevitably pluralistic. Therefore, the management should take account of specific conditions and employees' concerns before initiating any new programme or practice.

#### 8.1.4 The Case of the Cultural Change Programme

Moreover, this present study also recognises that, as part of the new HRM programme, the BoT also attempted to introduce cultural change initiatives. The question here is whether this programme recognised the dilemmas underpinning the Bank's new HRM programme, as suggested in the above example of the new performance management system, and indeed in the overall argument of this study. According to the Bank's new corporate culture, staff should behave in line with the desired behaviour suggested. There were six values representing the corporate culture and defining the desired behaviour of the BoT's staff ('OTEACH'). O meant staff should have 'open communication' between each other, and between superiors and subordinates. T meant the Bank wants an emphasis on 'teamwork' among staff. E

represented the 'efficiency' which was required in staff's work. A meant staff's work must be accountable ('accountability'). C meant 'competency' and H meant 'honesty and integrity'. The Bank believed that these six elements should act as guiding principles for staff. The principle behind the introduction of the new corporate culture was that in order for staff to be more effective, they needed to have a 'desired' culture and behaviour, which in turn would benefit the Bank as a whole. This was because, in line with the arguments of several cultural theorists discussed in the literature review, strong organisational cultures emphasise the common knowledge and beliefs that lead to efficient practices. However, in line with some of the criticism of cultural change discussed earlier, there was also evidence of problems and limitations in the Bank's cultural change programme, reflecting a gap between the rhetoric and the experience of staff.

Several themes emerge from the discussion of the BoT's new cultural values. First, these values were not entirely 'new', as some echoed established principles and practices in the Bank (for example honesty and integrity). But this raises the question in terms of why the Bank's top management sought to re-define corporate culture. Were they seeking to give new and different meanings to those established values? Secondly, there was also room for disagreement about what these new values actually meant. The issue of competence was a good example, with experts wanting to insist on their competences while senior managers wanted to define competent performance in more differentiated terms. Thirdly, there was room for contradictions between the new values, once their meaning was actually defined. An obvious example is that of the clash between teamworking and individual reward. A final issue was the extent to which efficiency and accountability were much more a bottom-up process, by placing

more pressures on junior staff, rather than top-down, as senior management retain prerogatives.

Most staff members the researcher met during the course of the research fieldwork believed that eventually the new corporate culture would benefit the Bank. For example, one staff member who was involved in the cultural change programme claimed that:

We used to evaluate whether the new desired corporate culture has been installed successfully in the Bank by using questionnaires and interviews. The result was positive: staff seemed to behave more in line with the new culture.

However, the above suggestion seems to be over-stated. Although the BoT tried to introduced 'new' cultural values to its staff, such 'new' values were not entirely new. The emphasis on cultural change overstated the novelty of the norms and values being emphasised: in important respect they restated norms and values which have a long history at the Bank as in other organisations. This was true, for example, of the concerns for 'honesty and integrity' at work that had long been known in Thai society as one of the distinct characters of the BoT's staff. Thus, one of the members of staff even suggested that the 'new' culture values had in fact been with the Bank for some time:

I think that now and before, the Bank's corporate culture is similar... Things like honesty have been one of the well-known characteristics of the Bank's staff. The OTEACH [the



new corporate culture] is very common for any ordinary organisation.

This could be suggested that, if the cultural change programme was implemented skillfully, the fresh emphasis given to values such as 'accountability' (A) and 'honesty' (H) should not be a problem. In fact, these two elements had always been associated with the characteristics of the Bank's staff. The working system of the Bank always stressed checking and verifying at every level of the hierarchy to ensure both the accountability and honesty of staff. For example, in terms of recruiting new staff, the Bank's system was that one of the Bank's high-ranking executives had to approve the recruitment with her/his signature at many stages of the process, e.g. following the results of the aptitude test and the oral examination.

However, there was a further complication concerning the 'new' cultural values in terms of disagreement among staff about what these new values actually meant. Even evidently accepted values can be interpreted in different ways by managers and other staff, especially when they are linked to proposed changes in new practices. For example, in terms of 'efficiency' (E) and 'competency' (C), if we focus only on staff's ability in their main jobs or in their specific areas of expertise in economics and finance, there was traditionally little disagreement regarding the implications of these two values for expert staff. However, these experts were unlikely to pay any attention to skills outside their main jobs. This was partly due to staff seeing other non-financial and non-economic jobs as insignificant (see the discussion in Chapter 7). At the same time, under the new HRM programme the Bank required staff to have multiple skills, especially in terms of managerial skills such as HRM skills. In order to

advance in their career, the rotation to different positions in other non-line departments, and the need to participate in a number of 'soft skills' training programmes, were essential for staff. This resulted in non-economic and non-finance skills becoming increasingly important. Therefore, the implications of these values were seen rather differently by the experts because they seemed to believe that their specialist expertise were most crucial to the Bank, and that was how their 'efficiency' and 'competency' should be recognised.

Some aspects of the cultural change programme were more novel, and as such clashed with existing values and practices. For example, open communication (O) seemed to be in conflict with existing norms and values among staff. According to our discussion in Chapter 5, the BoT's staff always worked as though they were members of the same family; however the system was extremely paternalistic, with the emphasis on deference between superiors and subordinates. Therefore, between the staff of different hierarchical levels, it was unlikely that there would be such 'open' communication. Staff members at a lower level were normally afraid to argue with their superiors, because there was always a risk that the superiors would take into account any negative feelings in staff's performance evaluation. It was also unlikely that staff at a higher level would consult on work-related matters (for example policy making) or personal issues with their subordinates. In addition, according to our discussion in earlier chapters, the 'de-personalised' relationship and individualisation under the new HRM programme made it more difficult for staff and executives to create an 'open' relationship.

Also, there was another potential conflict between different new cultural values. The element of 'efficiency' involved the principle that work should be carried out in a time-effective manner, that is, without unnecessary delay. However, the principle of 'accountability' also required the quality control of work, and it expected staff's work to be accessible. Everyone, including the supervisor, needed to be able to check the quality and progress of each employee's work. Therefore, one issue became: which element of the new culture had a priority -- working fast or the need for approval and quality control of work (which certainly takes a longer time)?

Furthermore, during the introduction of the new cultural values, there seemed to be a conflict between certain new human resource practices and the new corporate culture. For example, in terms of teamwork (T), some staff believed that certain new human resource practices, in particular the new performance evaluation system, had actually discouraged them from working together as a team. Staff were told that, in order for them to work more effectively, they needed to work as a team. However, when it came to performance evaluation and reward (for example pay), such evaluation and reward were done individually. This new performance evaluation system certainly did not support the Bank's attempt to introduce the new cultural values.

The 'teamwork' value was also in conflict with another reality in the Bank. The teamwork value required staff to work as a team, but in terms of office space and the use of physical partitions, hierarchy remained strongly evident. For example, office desks were always set in line with the staff's rank and seniority. Managers always sit at the back or in separate rooms, while most junior staff sit on the front row. This



arrangement certainly did not support the atmosphere of teamwork. Staff tended to feel that their managers were watching them all the time.

A final feature in the introduction of the BoT's 'new' cultural values was that some values, such as 'efficiency' and 'accountability' were primarily focused on accountability from the bottom upwards, placing more pressures on junior staff, but this gave notions of teamworking and openness a strongly hierarchical character. The BoT's cultural change programme tended to define directly what staff should think and how they should behave. The question here is what actually creates culture. In the BoT case, the new desired corporate culture and the Bank's mission statement and philosophy were communicated by many means to the staff. The most obvious one was through writing on a plastic board, with details of the new culture and statement, and displaying the board at various locations in the Bank's buildings. It is doubtful whether this was sufficient to create a new culture. Although there were other methods used by the Bank, together they did not add up to a coherent overall strategy.

It has to be stressed that these elements of the cultural change programme were rather general values, but their meanings had to be interpreted in specific situations and thus clashes between these values are likely (for example teamworking versus individual rewards). Contrary interpretations were also evident (for example what did 'open communication' actually mean – it did not mean that senior staff members have to reveal all aspects of policy making to junior staff). Prescribed culture and actual practices (for example working as a team versus individual pay in accordance with rank and position) were sometime in conflict. Finally, it could be argued that these cultural values were deployed by senior management to govern behaviour according

to their priorities, while ignoring alternative interpretations and tensions within established cultural themes. To this extent, the cultural change programme may be seen as an effort at ideological control, though not an entirely successful one.

### *8.2 The Implications of Staff Responses for an Understanding of the Scope and Limitations of HRM as a Strategy for Institutional Transformation*

The previous section identified a range of responses by staff to different human resource practices under the new HRM programme. It was suggested that these responses were varied: benevolent as well as critical. To this extent, nevertheless, the HRM programme was not fully successful in its own terms. The discussion in the previous section was primarily concerned with how staff responded to HRM. In this section the implications of these responses are considered further by discussing how far HRM was actually displacing and replacing the existing structure of relations, and how far in doing so HRM provided its own basis for legitimacy and effectiveness.

As discussed in Chapter 5, the pre-existing social organisation of employment relations (the 'old' model) involved a set of interrelated features in terms of institutional arrangements, power relations and cultural values within which staff were operating. While staff groupings may have different priorities and interests, the ways these were expressed were framed and constrained by such existing features within the Bank. Consequently, pluralism in the old model was contained largely within this pattern of social organisation. It is also important to note that it was not a fully coherent or conflict-free pattern, it was rather a relatively settled set of compromises and mutual understandings among staff. Moreover, the onset of the

1997 financial crisis clearly suggested that some of these pre-existing features contributed to failings in the way the BoT operated.

As a result, as discussed in Chapter 6, the Bank's senior management introduced a new, Western HRM programme as an alternative to replace employment relations of the old model. However, the new HRM programme represented a rather different set of institutional arrangements, power relations and cultural values. Ideally, the 'new' pattern derived from HRM ideas was seen to replace the 'old' complex of social relations. However this sort of transformative ideological approach faced real difficulties and was not completely successful. This was partly because of the internal limitations of HRM. The set of interrelated features drawn from HRM was not entirely coherent and involved conflicts between different emphases, and the implications of these features drawn from HRM were likely to become contested in various ways because people in different groups wanted to emphasise different aspects. However, it was also because the idealised model of HRM was being implemented in an existing context and did not simply supercede the established social and cultural organisation of the Bank, and employees responded to the new programme in ways that were influenced by this existing context. Furthermore, this organisational context also drew upon wider features of the national social structure and culture, and this broader background probably influenced employee responses too.

Overall, senior management sought to move from one basis of authority (in the old model) to another (in the new HRM programme) without losing the power and authority that were part of the old model. However, this move appeared to expect



additional effort, commitment and flexibility by junior staff whilst still entrenching top management prerogative. From our discussion in Chapter 7 and in this Chapter, this effort de-stabilised the established basis of social and authority relations because the new HRM programme did not necessarily replace the old model unproblematically with a fresh basis of authority relations. Thus, this undermined some of the traditional bases of paternalism and patronage but did not replace these relationships with clearly mutually acceptable alternatives to all groups of staff and senior management.

It was clear from the Bank's two human resource managers that the Bank's management wanted to transfer the pattern of authority relations in the old model into the new HRM programme, by attempting not to lose its managerial control. It was suggested by these managers that employment relations matters were seen as a managerial task because the management knew what was 'best' for employees. One said that:

From the management point of view, it is management's task to effectively manage its human resources to achieve maximum benefits for the firm, and that is what we are trying to do under the new HRM programme.

Another commented even more forcefully that:

Staff are misunderstanding the proposed reform. Staff always understand that they are undergoing changes. Thus, at the same time, the management tells staff not to resist change.

This is wrong. This reform is inevitable. It is a task for management to communicate with people and ensure a smooth transition.

The introduction of the new HRM programme, this manager suggested, should not be viewed as a negotiable package and thus it was management's priority to ensure that staff understood that. However, although some staff were influenced by some of the more attractive ideas and expectations generated by the new HRM programme, staff's responses in general reflected their own priorities and expectations based on the earlier social organisation of employment relations of the old model (see discussions in Chapter 7 and earlier this Chapter). Therefore, when considering staff's responses in the context of the BoT's management prerogative, there is a question about how far the new HRM programme will evoke shared responses or provoke disagreements among staff members.

According to the discussion in Chapter 5, it was clear that one of the distinguishing features of the BoT's old model of employment relations was a high degree of deference from junior staff members to the senior ones. The Bank's authoritarian paternalism and patronage system always led junior staff members to be deferential. Consequently, actions by senior and high-ranking management were always seen as crucial to the success of the organisation. This feature still remained important in terms of the attitudes of staff toward the new HRM programme. Five different staff members from different departments all agreed with the following statement that:

High-ranking executives are very important as a driving force for the effectiveness of the new HRM programme,

especially in terms of the implementation of new human resource policies. They [the high-ranking executives] set the direction for the Bank's HRM programme and, most importantly, they have to be committed to the programme if it is to be successful.

Staff were used to 'being told' what to do, and this was particularly true concerning the Bank's HR work. This was partly due to the fact that, as also discussed in earlier chapters, the nature of the work at the Bank, for example formulating monetary and economic policy and exchange rate decision-making, was centralised, as confidentiality was required. As a result, decision-making authority was centred in a handful of executives in the Bank's areas of expertise in finance and economics. This, in turn, led to the routinisation of the non-expertise area, including HR, and a situation in which staff did not dare to take any initiatives or decisions. In this sense, therefore, the new HRM programme, with its focus on delegating and empowering decision-making authority, was in conflict with the pre-existing institutional features of staff.

For example, one aspect of the new HRM programme that encouraged staff members to be more 'open' in work related matters seemed to contradict the pre-existing institutional features of paternalism and the definition of senior managers as fatherly figures. The transformation from a culture of deference to one encouraging employees to be more involved in decision-making made some staff feel uncomfortable. Staff used to take orders from supervisors: they were working as directed by their managers. However, under the new HRM programme the Bank encouraged employees to be more involved in the decision-making process. According to the researcher's own observations, some staff were not used to working on their own



without direction from their supervisors. This sometimes resulted in staff not daring to make a decision, especially in new tasks. In some meetings where the researcher was involved, there was a clear sign that staff still relied for their decisions on managers' judgements, rather on than their own, even though on some issues they did not agree with the managers. In fact, on certain occasions during meetings, some staff were afraid to express different opinions from those of their managers if they thought that this might lead to conflict with the managers.

Nevertheless, the attempt to decentralise some responsibility and initiative was also evident from the fact that the Bank flattened its hierarchical structure and emphasised the need to work as a team. As a result, decision-making authority was spread more widely. In some HR areas, decision-making did not have to be referred to the senior-management level as before, thus allowing faster decisions. In addition, staff were encouraged more than ever to suggest or initiate new practices or procedures that might benefit the Bank. For example, there was a reward for staff who could create new and better working procedures in their department.

On the other hand, this aspect of the new HRM programme could also be seen as asking employees to be involved more in sharing the risks of decision-making. For example, flexibility and fast decision-making could be achieved through the decentralisation of authority, but at the same time this also meant that more staff had a level of responsibility similar to that of the senior management in decision-making processes. More responsibility could mean more risks, although the situation was not entirely clear yet, since the new approach to employment relations in the Bank was still being developed and had not been long in operation.

For staff to be involved in the decision-making process was not the only new situation that staff had to face under the new HRM programme. As discussed earlier, there was also a shift from focusing on a single or few areas of expertise (economics and finance in the BoT case) to the need for staff to have multiple skills. Staff needed to perform more work on human resource-related tasks and to use more of the 'soft' skills (for example social skills in dealing with other people, as well as presentation and meeting skills). In the past, staff only needed to focus on the skills and knowledge related to their own jobs. However, under the new HRM programme, they also had to undertake more tasks. For example, line managers, as discussed in Chapter 7, had to be rotated to the position of departmental HR manager every few years. Every staff member was also required to be involved in setting her/his own working goals every year as part of the new performance management system. Staff were also encouraged to enroll in a number of available soft-skill training programmes. Although this was not compulsory, soft skills were seen as crucial for more effective job performance. Non specialist-related tasks, such as administrative tasks, also required a large proportion of staff's time. Some staff explicitly told the researcher that they felt these new non-specialist jobs required so much of their time that this would result in lower quality performance of their main tasks. The added non-specialist tasks sometimes also de-moralised staff, as a member of staff in a line department explained:

Although we now have a much higher expectation by executives and outsiders that we will perform our jobs more effectively, there is still a situation where we work very hard with more and more work that should not be ours.

In fact, these extra tasks from the new HRM programme also made staff worry about their career with the Bank. Staff used to feel extremely secure while working for the BoT. However, under the new HRM programme, work performance was closely tied to salary increases and career advancement. Under the old model, staff tended to believe that, since they were well qualified and had such a prestigious status, their expertise, skill and knowledge were difficult to replace. However, under the new HRM programme, the staff's performance was closely monitored and had an important impact on the career of the staff member. The new performance management system evaluated staff's performance yearly and the performance result was defined as the only relevant factor to staff career progression. Other factors, such as a staff member's academic background (for example staff who graduated from leading universities abroad used to be regarded as having higher status than others, no matter how that staff performed in the job), were not relevant anymore. Therefore, some staff started to feel uncomfortable with such an HRM approach.

Therefore, although the staff's (executive and non-executive) responses discussed in earlier chapters and in this Chapter represented a quite complex mixture of negative and positive sides of HRM, they underlined the limitations of a direct adoption of Western HRM as a basis for remaking employment relations in the BoT. Having documented a range of different responses from the BoT's staff members, it appeared that the changes in organisational relationships, roles and cultures that HRM brought were not straightforward. Such changes involved conflicts between different set of institutional arrangements, power relations and cultural values. This suggests that in such contexts HRM cannot deliver its own legitimacy in any straightforward way. Nevertheless, as in the BoT case, if the 'old' or pre-existing model had been seen as



limited, then HRM might have been seen as an effective alternative to employment relations. In this respect, therefore, one of the most crucial issues is to recast HRM in a form which will gain legitimacy by emphasising a more pluralistic and contingent form.

### *8.3 Conclusion*

This Chapter sought to show that in the BoT case, some staff were quite sceptical towards HRM. This was partly due to the fact that, as also discussed in earlier chapters, HRM was difficult to implement effectively in practice, and in the Bank this fact caused confusion and uncertainty among staff. In fact, there were several issues, such as the tension between the unitarist and pluralist approaches, and the nature of the Bank's work, that emerged as problematic and the new HRM programme should have taken into account. In addition, the relationship between devolved responsibilities and management authority has remained somewhat contradictory for BoT staff. This may be related to a more general argument about HRM (see for example Scott, 1994). HRM tends to adopt a unitarist approach in solving problems in employment relations while the diversity of staff calls for a more pluralistic view. In the BoT case, it was evident that when being applied in practice HRM met with difficulties and limitations because of its unitarist character.

In terms of HRM itself, the above discussion also suggests that HRM was not a simple solution for a complex organisation such as the BoT, which was constantly under pressure and employed multiple expertise. For example, HRM in the BoT involved both 'soft' and 'hard' styles. According to the 'soft' approach, HRM was inclusive and supportive of staff. According to the 'hard' approach, HRM was

selective and discriminatory, since it only supported those who will benefit the organisation. For example, the new approach to employment relations focused on teamwork (and hence mutual support), but at the same time also focused on a minority of the workforce in terms of intensive training and development (hence it was discriminatory and selective). In addition, the cultural change initiative, as part of the new HRM programme, was also problematic because it resulted in conflict within the new cultural values themselves, and between such new values and some of the Bank's established practices. Therefore, the adoption of HRM did not allow the Bank to escape from some of its fundamental organisational and cultural dilemmas.

The final section of this Chapter suggested that in choosing HRM as a strategy for institutional transformation, one should be aware that it involved limitations, such as in terms of confusions among staff. To transfer an authority pattern from the old model to the new HRM programme proved to be difficult because the ways in which staff operated were framed and constrained by the pre-existing features of institutional arrangements, power relations and cultural values. It is also crucial to note here that when the empirical findings of chapters 6-8 are looked at in the light of the discussion in chapters 2, 4 and 5, a wider relevance of case-study findings emerges. Although this study is a specific case study of the BOT, the issue about the interrelationship between existing institutional forms, patterns of expectations, power and authority relations, and HRM programme is also likely to be found in other organisations in Thailand or in different societies. This is because some characteristics of the HRM programme (for example its management prerogative and its unitarist character) seek to displace and replace a pre-existing structure of relations within the organisation. Therefore, outcomes of HRM are likely to encounter and be

obstructed by a wide range of difficulties, for example because the HRM programme does not address the importance of issues such as power and authority relations. It is suggestive that this sort of dynamic might also be found in other locations in Thailand where HRM programme are used, or in other societies characterised by similar earlier patterns of culture and institutions.



## Chapter 9

### CONCLUSIONS AND IMPLICATIONS

This Chapter reviews and concludes the analysis of human resource management (HRM) developed in the previous chapters. The first section of this Chapter focuses on the scope and limitations of HRM when applied in management practices, by using the case study of the Bank of Thailand (BoT). In general, there are three main arguments concerning HRM in this study. Firstly, a ‘generalised’ model of HRM does not take account of specific conditions within specific types of organisation. Secondly, an ‘idealised’ HRM programme fails to address the importance of power relations and conflict in organisational change. Therefore, for HRM to have a more realistic view of its own tensions, conflicts and limitations, organisational context and the reality of organisational pluralism need to be taken into account. Finally, in order for HRM to be developed in this more sophisticated way and implemented more effectively, there is a need to develop an understanding of the importance of HRM and the role of the human resource (HR) professional in the organisation.

The second section of this Chapter discusses the implications of this research. In particular, it reviews important strengths and weaknesses of the research method and conclusions. The strengths come in terms of this study’s privileged position in obtaining inside data and information for the analysis of HRM at the BoT and the scope to develop an empirically based appraisal of HRM in practice. In turn, this may encourage practitioners to critically assess HRM in terms of its tensions and limitations in practice. At the same time, weaknesses of this study arise both from its research methods and the fact that it is a single case study. Because the researcher was

involved directly with the issues under investigation as a member of staff, it might be difficult for him to assume another role in critically evaluating the BoT's new HRM programme. In addition, this study focused only on the BoT, and thus more general conclusions, for example about HRM in other national central banks or HRM in Thailand more generally, must be made with caution. As a result, this study also suggests some further research in this area should include either other central bank case studies to draw wider conclusions about such banks, or studies of HRM in other Thai organisations to develop the analysis of Western HRM in the Thai institutional and organisational context.

### *9.1 Conclusions of the Study*

As noted earlier, this study did not seek to identify the range of 'international best practices' of HRM. Rather, it sought to develop a critical assessment of the ability of HRM to explain and transform the dynamics of employment relations within the organisation. In particular, according to our case study (the BoT), it was suggested that the general recommendations of HRM failed to address the distinctive features of the organisation, including its existing traditions of employment relations, existing institutions and other socio-political factors, all of which influence the implementation of HRM policies and the responses of employees. Not only that, the 'unitarist' assumption of HRM meant it also failed to address the reality of organisational pluralism.

This study was presented in two major parts. Part 1, chapters 1-4, was concerned with the background of the study. Chapter 1 outlined the importance and purpose of this study, as well as some background on the BoT. Chapter 2 provided a review of

relevant literature, pointing out that HRM theories and models experienced various tensions, conflicts and limitations. Chapter 3 discussed the research methods used in this study. Chapter 4 gave a broader discussion of the development of HRM in Thailand, by pointing out that the development of Thai economic, social and political conditions all contributed to the distinctive development of employment relations in the country. Part 2, including chapters 5-8, was the empirical case-study part of this research. This second part aimed to provide the results of research in the BoT concerning the scope and limitations of a new HRM programme. Chapter 5 established the 'old model' of employment relations in the BoT and argued that prior to the new HRM programme the BoT had its own traditional system of employment relations. Chapter 6 presented the rationale of the reform in BoT's employment relations that underpinned the introduction of a new HRM programme. The role of external consultant firms was also discussed in this context. Chapter 7 and Chapter 8 presented the perceptions and attitudes of managers and staff respectively in relation to the new HRM programme. It was suggested that, similarly to the theoretical discussion in Chapter 2, the practices within and surrounding the HRM programme involved tensions, conflicts and limitations because the HRM approach neglected the specific organisational context and failed to address the issues of power relations and organisational politics.

#### 9.1.1 Part I: Background to the Study

Chapter 1 provided the introduction to this study by developing an initial account of the BoT in general, as well as trying to initially establish the way in which the HRM programme was applied to the BoT. The state policies used to guide Thailand's economic growth and development were based on the strategy of export promotion,



which later also included an emphasis on inward foreign direct investment. However, the country failed to cope with fast changing conditions in the world economy and this resulted in the onset of the 1997 Asian financial crisis. The BoT, as the country's only financial regulator and monetary policy maker, was seen as having a major responsibility for the onset of this crisis. In particular, the BoT's employment relations were seen as 'ineffective' in encouraging harmony and effective work performance among staff. The Bank's top management thus decided to hire external consultant firms to introduce the widely-popular HRM programme advocated in Western literature to the BoT, as a means to provide a more effective approach to the Bank's employment relations system.

According to much Western literature, the innovations involved in HRM programmes are becoming increasingly important but usually face major dilemmas and limitations in practice. However, as the Bank's main expertise was in finance, economics and other related areas (for example accounting), the systematic study of changes in the human resource system was neglected. Moreover, because the introduction of the 'Western' HRM programme was seen as significant to a number of Thai organisations, including the BoT, there was a need to conduct systematic research and assessment involving changes and practices of HRM programme. In particular, it was appropriate to address the limitations and tensions within the HRM programme when applied to another country with a different set of economic, social, political and cultural conditions. Therefore, this study sought to understand why and how the pattern of employment relations changed in the BoT, and what were the tensions and limitations of HRM when being applied in this specific organisational and social setting.

Before discussing the research design and methods in Chapter 3, Chapter 2 presented a review of literature relevant to this study by selectively reviewing literature in HRM and related areas. It was found from the literature review that there were ambiguities and tensions even among the HRM theories themselves. For example, HRM theories involved both 'hard' and 'soft' sides, two contrasting perspectives on how the theories viewed employees. Internal tensions and competing ideologies were also evident within HRM. However, most HRM models tended to suggest a 'unitarist' point of view toward the issues of employment relations, and provided a 'universalist paradigm' for employment best practices. For example, HRM models were normative rather than analytical, that is HRM tended to suggest what was 'best' for the organisation to do. Although there were also some attempts to develop HRM from the universalist paradigm toward outcome and contingency approaches, sometimes using a strategic choices model, this largely demonstrated an increasingly sophisticated way to theorise a unitarist approach to HRM. Even the strategic choices model, although it seemed to include elements of pluralism, for example when it allowed some responses from employees in terms of choosing policy choices, did not escape the dilemma of unitarism and the internal tensions and limitations that flowed from this. The strategic choices model suggested different policy options for practitioners to choose from but seemed to assume that organisational tasks were straightforward. However, in reality organisational work involved various forms and contingencies and thus was difficult to explain using such an approach.

The way in which the HRM theories suggested increasing employee commitment and performance through cultural change programmes was also questionable. Much HRM

literature placed considerable emphasis on the role of a strong corporate culture in achieving a high performance level. In the HRM programme, there was always an emphasis on the development of a value-based company, with a strong corporate culture, through initiatives such as a cultural change programme. However, a critique of these arguments about corporate culture emerged in the work of more sceptical researchers. Such criticism argued that there was no concrete evidence to suggest that a strong 'desired' corporate culture would lead to a better individual and organisational performance. Moreover, some argued that a culture was something that the organisation 'is', not 'has'. Cultural change was a rather dynamic, interactive process among different groups in the organisation over time. Thus, it was impossible for management to 'install' a new culture for employees. More importantly, critics of the notion of corporate culture suggested that because rules and sanctions were involved in the cultural change programme, efforts to install a strong corporate culture were just another form of management control over the workforce. In fact, the role of corporate culture change in HRM also revealed further tensions and limitations within HRM itself. Most importantly, the idea of corporate culture neglected the importance of existing powerful group norms and institutions within the organisation.

This study was done by using four research methods: interviews, participant observation, documentary analysis and actual work experience. These methods were used to collect evidence and analyse the evolving relationships among the Bank's staff and work processes, in order to understand the opportunities and challenges that have to be faced in the process of transformation toward an HRM programme. The discussion in Chapter 3 stated that this study was based on qualitative research methods and a case-study approach. The reason for choosing the qualitative method



was to examine all elements in this study's analytical framework. This was because qualitative research provided a more detailed and thorough analysis of the issue under investigation than using a quantitative approach. Most importantly, this study intended to use employees' views and managers' judgements to illustrate the case because these individuals were affected directly by the new HRM programme. Therefore, the method of interview (formal and informal) was used to collect evidence in terms of perceptions and attitudes from the BoT's members of staff. However, such an approach can be criticised for being based on the subjective assessments of such staff. Thus, in order to ensure this study's reliability and research data validity, this study also employed three other research methods: participant observation, documentary analysis and actual work experience. These four research methods were pursued during the researcher's time as one of the BoT's members of staff from December 1999 to February 2001.

However, it is also important to note here that, although with the benefits stated earlier, the analysis of the data from qualitative research proved to be extremely difficult and time-consuming. For example, patterns of data from interviews were extremely varied, depending on each interviewee's priorities and experience. Thus, the analysis of interview data, which involved transcribing tape records and sorting them into different categories, was extremely difficult. It posed difficulties of fitting a variety of complex responses into a small number of manageable categories, and of assessing the weight that my informants gave to different aspects of their responses to the HRM programme. Moreover, although the researcher of this study was able to obtain a considerable amount of useful information during his research fieldwork at

the BoT, this experience proved to be time- and resource-consuming because the researcher spent more than one year at the research site.

Although this study concentrated on the BoT as a case study, it was nevertheless important to look at a broader picture of HRM in Thailand. Chapter 4 suggested that the development of the country's socio-political conditions, for example the development of authoritarianism through successive military governments and the weak role of trade unionism, contributed to shared norms, values and institutions of authoritarian paternalism among Thai employees in general. Also, the country's strategy of economic development in relying heavily on international trade and inward foreign capital contributed to the development of the country's employment relations system. For example, the role of foreign investors pressured the concepts and practices of employment relations in Thailand in a more Westernised direction. In addition, as a result of the 1997 Asian financial crisis, issues such as skill training and job security now needed to be dealt with effectively within firms. Downward pressures on wages and employment from the crisis, and the inadequate role of the Thai government in providing domestic firms with assistance in terms of the management of human resources, resulted in the widespread endorsement of Western HRM programmes to address these weaknesses.

#### 9.1.2 Part II: The Empirical Results

Chapter 5 outlined the official report on the implications of Thailand's 1997 Asian financial crisis for the BoT by highlighting the problems of employment relations in the Bank prior to the reform. However, this official report failed to identify how the old model actually operated. Therefore, the analysis of this Chapter also went beyond

the official report by using data and information from inside the BoT to investigate and analyse the issues discussed in the official report. Features such as elite decision making, specialised expertise, and routinisation of HR work formed key aspects of the work pattern and structure of the BoT under the old model. At the same time, features such as the cultivation of a family atmosphere, the patronage system and deference, were emphasised in terms of personal relationships among staff members even in work-related matters, in order to create teamwork among staff

From our analysis in Chapter 5, it was suggested that the old model was not a complete failure. Features in the old model had both strengths and weaknesses. For example, the patronage system created teamwork to some extent. However in some cases it meant staff's real performance were not reflected in the performance evaluation because of the supervisors' bias. All the features in the old model were also inter-related. For example, the nature of the work at the BoT involved elite decision making which produced specialised expertise and led to the routinisation of other non-expert (such as HR) work. It also emerged that the transition from the old model of employment relations to the new HRM programme was not a straightforward process of the 'new' replacing 'old', but involved a complex pattern of change.

Chapter 6 identified and critically evaluated the rationale of the introduction of the new HRM programme at the BoT by external consultant firms. The consultant tended to suggest the implementation of a generalised and idealised model of HRM, which did not take account of specific conditions of the central bank in Thailand and did not address differences of priorities among staff. It was evident that during the



development of the Bank's HRM policies staff members were not consulted, which in turn resulted in staff in general having some misgiving but also giving limited attention to the new HRM programme. In addition, the working method of the consultant was also questionable. The consultant failed to address the issues of power relations and organisational politics among executive staff. Although it was suggested that the consultant was in some respects very skillful (for example in terms of the use of technology in their presentation), in other respects they were not. In particular, they had limited politics of persuasion in reconciling conflicts between different powerful groups, in order to implement the new HRM programme more successfully. In these respects, the failure to keep to the timetable for implementation was symptomatic.

Chapter 7 highlighted managers' responses to the reform. The Chapter aimed to show that the results of empirical study were in line with the critical theoretical discussion of earlier chapters. The unitarist character of HRM failed to address the variety of interests which might be represented within the organisation. This issue was illustrated by concrete examples from additional themes that emerged from the data collected. For example, it was suggested that HRM was bound to be unsuccessful in the BoT case because it did not address the way in which past institutional arrangements, particularly authoritarian paternalism and deference, helped to structure staff's experience, skills and expectations. The unitarist approach of HRM also resulted in problems in the processes of implementation because it did not address the resulting anxieties and suspicions among staff and this provided little guidance for effective leadership and communication. The BoT's HRM programme also failed to persuade line managers to see the importance of HRM tasks even when they were being asked to undertake such tasks. As a result, HRM managers were not able to

compete with other professions in the Bank and were unable to develop a more sophisticated approach to implementation. Thus, HRM tasks were not seen as significant because managers had other non-HRM priorities and this resulted in a continued subordinate role for the HRM specialism.

By using data and information from the BoT's staff members, Chapter 8 confirmed that when being applied in practice, HRM met with a number of difficulties and limitations because of its unitarist character. In particular, there was a need for a more effective role by the Bank's HR Department in implementing the new HRM policies. However, during the development of the policies, the HR Department was not involved in the development process. As a result, the Department did not have adequate skills and knowledge in terms of the new HRM programme. The case of the new training and development programmes also revealed internal tensions within the new HRM programme by emphasising both soft and hard approaches to HRM, which in turn demoralised staff. While the soft HRM, in terms of the availability of numerous training and development programmes, did not involve training-need analysis and a post-training evaluation, the hard side of the BoT's HRM was highly selective by focusing only on the minority of 'high-potential' and 'high-performance' staff members.

The case of the new performance management system again suggested that a unitarist philosophy was being followed in the BoT's new HRM programme. The new system resulted in several problems when it was first used in the Bank. The process of designing the new system did not involve attention to employees' interests and concerns, thus staff did not feel involved in the new system and thus responded in a

negative way. For example, the design process did not involve a pilot test of new forms and paperwork in the new system which in turn resulted in confusion when the new forms were first used in practice. Most importantly, staff did not have an opportunity to represent their views under the new system of performance evaluation.

The cultural change initiatives, as part of a broader new HRM programme, also proved to be problematic. First, the programme was not entirely new, so in some respects it echoed established principles and existing practices within the Bank. However, the six different values of the BoT's 'new culture' were also questionable in terms of contradictions and disagreements among themselves. For example, the meaning of 'competency' was seen differently by the Bank's experts in finance and economics and the Bank's senior managers. The experts wanted to insist on their competencies while the managers wanted to re-define them. Moreover, once the new cultural values were defined, there was a conflict between the new values and the Bank's practices. For example, the Bank encouraged staff to work as a team but rewarded them individually in line with each individual's rank and position. Finally, there was a question of whether some of the new cultural values, such as efficiency and competence, should be developed and defined 'bottom-up' rather than 'top-down'. In addition, Chapter 8 also used the BoT staff's experience to suggest that the BoT's management sought to use the new HRM programme as a strategy for institutional transformation from the old model. However, this effort resulted in problems, as expressed by staff's attitudes and perceptions, because it de-stabilised the established basis of social and authority relations.



### 9.1.3 Concluding Remarks

It is appropriate at this point to discuss how some of the different arguments from this thesis relate to one another. If we are looking at a critical appraisal of HRM in practice in this particular context, one argument is that the HRM approach generally operates with a unitarist view in which little recognition is given to meaningful differences of perspective, priorities and interests among staff. The approach does not set out to accommodate these differences in terms of manageable productive compromise: it sets out to transcend these differences through a perspective which emphasises the shared interests of everyone in the organisation. In reality, organisations are more heterogeneous and pluralistic institutions. Therefore, a unitarist approach will either lead back to authoritarian management or it will provide a poor guide in how managers should be managing these differences.

The second argument is that Western models of HRM are presented as if they are universally relevant across all organisations in all societies. But they do not sufficiently take into account the specific organisational objectives, institutional contexts and cultural contexts of different organisations. In so doing, they neglect some of the complexities of different organisations. The first argument about pluralism and unitarism can be related to this argument by suggesting that the form that pluralism takes will vary depending upon the type of organisation one is looking at, and the social and cultural contexts in which it is embedded. For example, a factory may have a lot of skilled and semi-skilled workers but not many powerful professional groups. Whereas a hospital, given the concentration of expertise in the medical profession, has a powerful professional group whose role is central to the particular objectives of that organisation. This means the nature of the plurality of

interests in play is different because both organisations are different: this results in different objectives and different occupational structures with different traditions and different institutional arrangements.

So one can see the unitarist-pluralist argument in a generalised critique which says organisation is never a simple unitarist consensus. The argument against the HRM's 'universalist' model is that, given the plurality of organisations, we need to look more closely at, for example, what particular sort of organisation they are or what sector or national setting they are in. This helps us to understand the particular kinds of work tasks, occupational structures and differences of interests, priorities and perspectives.

The final argument is that, in the context of this study, while great emphasis was being placed upon a consolidation of employment relations through an HRM programme, paradoxically, HR specialists actually remained relatively marginalised and therefore unable to develop and deploy their expertise because other experts regarded themselves as more important than HR people and downgraded the HR profession. The central bank, particularly in a Thai context, is one in which there are these concentrations of professional expertise around economics and financial matters. The particular structure of the BoT already entrenches this sort of professionalisation: any attempt to 'upgrade' employment relations as a professional area of expertise is likely to confront these established power relations. Therefore, according to our pluralism argument, there is a plurality of professional groups in play that are competing with one another. However, HRM does not recognise the importance of this sort of process, or the problems it poses for HRM practitioners.

In regard to the practical implications of this research, senior management needs to be persuaded that HRM is not simply a 'magical' solution. It is actually quite complex to be implemented properly because it has to take into account the specificity of organisational context. It has to recognise the importance of, and work in relation to, existing expectations and different interests and groupings within the organisation. The professional expertise of HR people is only going to be acknowledged when HR is no longer seen as simply unitarist and universal, but is actually seen as a more complex set of principles that have to be implemented in a much more politically subtle fashion in the organisation. In this sense, the HR professionals can gain a more important role by being more critical of a 'package solution' type of HRM.

### *9.2 Implications of this Study: Strengths, Weaknesses and Future Research*

There have not been many critical case studies of HRM practices in Thailand, and there has never been a critical assessment of HRM programme in the BoT. Thus this study is a pioneer study of its kind in Thailand. Secondly, this study is looking at a particular and very important institution, the central bank. These are features that make this study important and interesting. The negative side of this study is that it is a case study of one organisation, and therefore one cannot draw an easy generalisation from this case study to all central banks, or to banks and financial institutions, or to Thai businesses in general. However, the main point here is that the researcher himself would not want to simply generalise that every other central bank or every other Thai company is similar to the BoT case. Therefore, this study is raising an issue about how far the findings and analyses of this study are appropriate for other central banks, or for other Thai companies. Only when we perform more research on central bank institutions in other countries or/and on other Thai companies, would we



be able to move with greater confidence to address and advance these arguments. The analytical arguments of this study (the problems of the unitarist view, the problems of a universalist model and the issue of professional competition and the role of the HR professional within the organisation) all have relevance for every institution, but the ways in which they are relevant may be different to the BoT case. It is only by doing further studies that one can then begin to test the ways in which these arguments are relevant for other examples.

One of the strengths of this study in terms of research methods was that the researcher was himself involved in the case study, the BoT, as one of the staff members. On this basis, in-depth, inside information and evidence were collected to study the issues under investigation. The fact that the researcher was one of the active staff members in the BoT's reform of employment relations also helped the researcher to experience the situation first-hand and thus allowed interactive involvement and interpretation with the new HRM programme. All the four research methods used also complimented each other by providing data and information for the analysis.

On this basis, an important contribution of this study to analysis of HRM was that in order to apply an HRM programme in reality, the bold claims and methods of such a programme needed to be viewed more critically and realistically. The specific organisational contexts, as well as the issues of power relations and organisational politics, all contributed to the complexity and difficulty of transforming the organisation's employment relations. A critical account of HRM was needed to guide a more realistic process of change, and therefore this study looked at HRM critically by using the example of the BoT.

However, there were also several weaknesses and difficulties in conducting this present research. First, the fact that the researcher was an 'insider' in order to get the insights from the BoT had disadvantages as well as advantages. It meant that the researcher had to step back and assume another role of critical evaluator of what had been done. Also, the researcher himself was a sole interpreter and explainer of the situations involved within this research, therefore the researcher's own background and experiences also contributed to how he interpreted each part of the data and in this sense the interpretation was subjective. For example, if the researcher disagreed with certain new HRM practices during his time at the Bank, he might implicitly acknowledge that disagreement by negatively criticising such new practice without trying to look at its positive side.

In this context the researcher tried to control the subjective effects in two ways. Firstly, he endeavoured to collect and take account of the experiences and attitudes of a wide range of informants, using the different research methods. Secondly, he attempted to identify the strengths and successes as well as the weaknesses and limitations of different HRM policies. In this way, he has tried to develop a balanced assessment, but one that looks beyond the general rhetoric of HRM programmes. Nevertheless, the research and analysis remain that of one researcher with his own distinctive vantage point and pattern of experience.

In terms of suggestions for future research in this area, a further study of specific conditions of HRM in other central banks and studies of HRM elsewhere in Thailand are both needed. In any individual case study, one has to approach and generalise

conclusions with a degree of caution. The way in which one can enhance the reliability of case study is to think how the same theoretical arguments apply to a different context, or to empirically investigate other organisations in similar but not identical context. Therefore, future research should include either a study of other central banks focusing on the scope and limitations of HRM, or more case studies of other Thai organisations (public, private and foreign-owned) which allows one to develop a wider analytical view of HRM in Thai institutional contexts.



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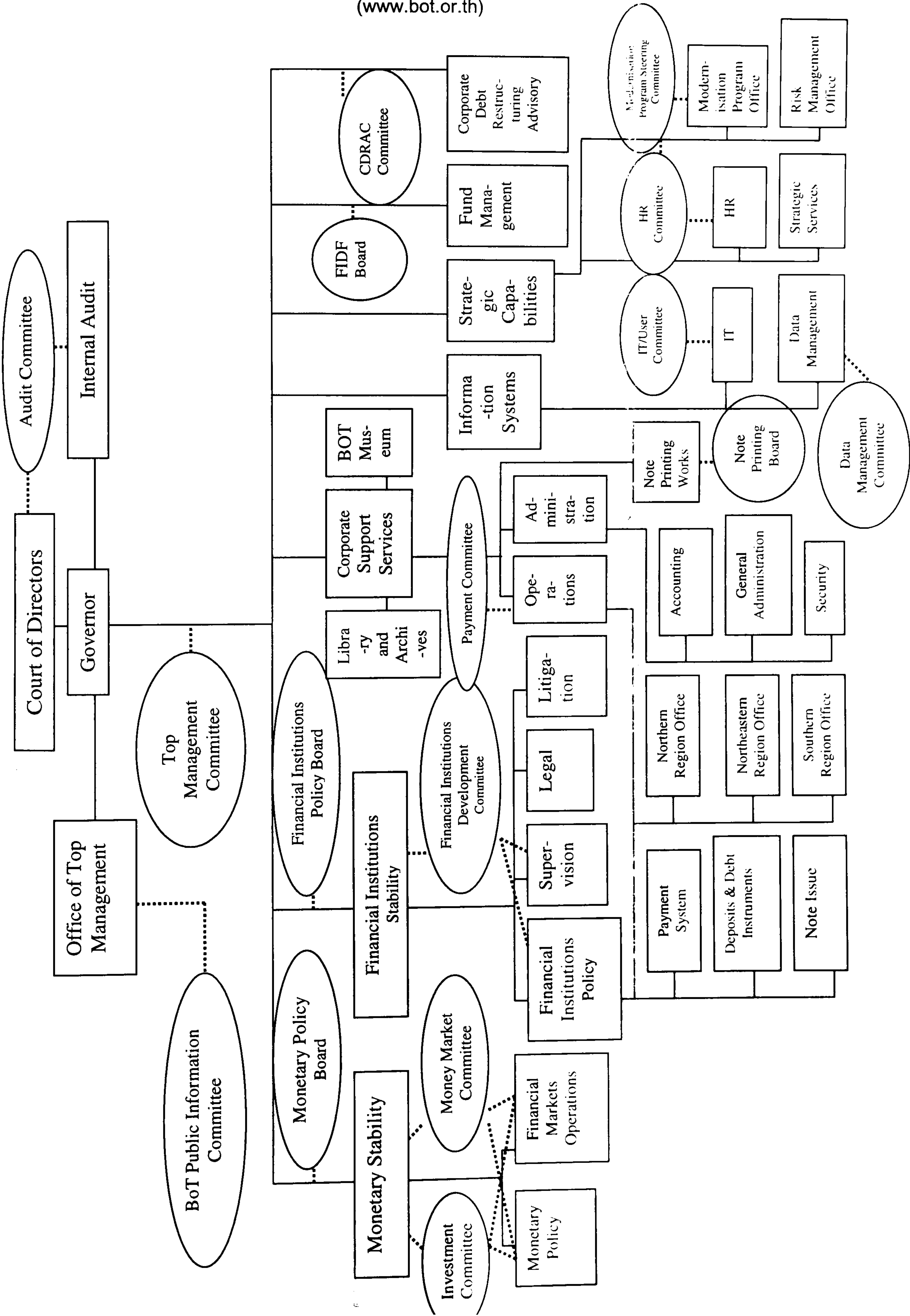
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APPENDIX 1

The Bank of Thailand's Organisation Chart  
(www.bot.or.th)



## APPENDIX 2

### Semi-Structured Interview Guide

#### 1. Background information

- 1.1 Position
- 1.2 Location
- 1.3 Other details (time in present job/gender/age/etc.)
- 1.4 Past work experience
- 1.5 Current job: What does your work involve (duties/priorities)?

#### 2. Changes in employment relations

##### 2.1 What were the characteristics of employment relations prior to the new HRM programme?

- 2.1.1 What were its positive features?
- 2.1.2 What were its negative features?

##### 2.2 What are the characteristics of the new HRM programme?

- 2.2.1 What is the impact from new human resource policies to your work? What are their positive/negative features?
- 2.2.2 How have you been involved with the new human resource policies? What influence do you have over the new human resource policies and practices? Has your role changed overtime as a result of the new policies?
- 2.2.3 How far have the new human resource policies been successful? What problems have they met?
- 2.2.4 What do you think about new responsibilities/practices/activities under the new human resource policies? (positive and negative features)
- 2.2.5 How have the cultural change initiatives affected you? What do you think about the cultural change programme? (positive and negative features)

##### 2.3 What are the differences between before and after the reform of employment relations? What sorts of changes have you experienced?

Look out for comments on:

- 2.3.1 Old model vs new HRM programme
- 2.3.2 How one perform her/his job
- 2.3.3 Opportunity, for example in career advancement
- 2.3.4 Attitudes/perceptions toward new human resource policies/practices and cultural change programme